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Algeria	6.00	Dh	115	Rate	1.000	Rate
Australia	22.5	Cent	NS	2.30	Poulet	145
Barbados	0.800	Dn	140	Rate	1.000	Rate
Belgium	50	FR	Jordan	300	FR	125
Canada	1.15	FR	Rate	2.00	Rate	1.000
Denmark	1.10	DK	Rate	1.000	Rate	1.000
France	1.00	FR	Rate	1.000	Rate	1.000
Germany	1.00	DM	Rate	1.000	Rate	1.000
Greece	1.00	DR	Rate	1.000	Rate	1.000
India	1.00	Rs	Rate	1.000	Rate	1.000
Italy	1.00	Lira	Rate	1.000	Rate	1.000
Japan	1.00	Yen	Rate	1.000	Rate	1.000
South Africa	1.00	Rand	Rate	1.000	Rate	1.000
Spain	1.00	Pes	Rate	1.000	Rate	1.000
Sweden	1.00	Kr	Rate	1.000	Rate	1.000
Switzerland	1.00	FR	Rate	1.000	Rate	1.000
U.S.	1.00	Dollar	Rate	1.000	Rate	1.000
U.K.	1.00	Pound	Rate	1.000	Rate	1.000
West Germany	1.00	DM	Rate	1.000	Rate	1.000
Yugoslavia	1.00	Dinar	Rate	1.000	Rate	1.000

Missile Pact Meets U.S. Senate Election Politics and Rivalries Envelop Treaty Debate

By Susan F. Rasky
New York Times Service

WASHINGTON — Against the backdrop of election-year politics, rivalries among senators and uncertainty over the future of arms control, the Senate began consideration Monday of the arms treaty that Ronald Reagan and Mikhail S. Gorbachev signed at their summit meeting last month.

The treaty would eliminate medium- and shorter-range missiles, which account for only a small fraction of the world's nuclear arsenal. Yet it is significant because of its implications for the future of the North Atlantic Treaty Organization and its potential for laying the ground for more far-reaching arms accords between the United States and the Soviet Union.

Senate leaders in both parties say they have the 67 votes required to ratify the treaty. The question is whether they can muster and maintain the 51 votes needed to defeat so-called killer amendments that would impose conditions on the treaty requiring renegotiation with Moscow.

"The real count is not who is for and who is against, but how people will vote on killer amendments," said the Senate assistant majority leader, Alan Cranston, Democrat of California. "I've endeavored to get commitments from a majority of senators to oppose killer amendments. We're close, but we're not there yet."

Mr. Reagan, in his radio address Saturday, called the treaty "a solid NATO has announced it will not accept any more U.S. missiles. "Even if the Senate voted the treaty down," said Senator Dan Quayle, Republican of Indiana, "the political reality is that those missiles are going to come out."

The debate will focus less on actual approval of the treaty than on how to restructure Western defenses with the remaining nuclear, chemical and conventional weapons. With Congress intent on holding down Pentagon spending to reduce the federal budget deficit, a major issue is whether America's European allies will raise their military spending.

But Senate consideration of the treaty will be shaped largely by the imperatives of election-year politics: a hard-line, anti-Soviet president seeking to establish his legacy as a peacemaker; Vice President George Bush and Bob Dole, the Senate Republican leader, fighting each other to succeed Mr. Reagan; and a restive Democratic Party looking for ways to reclaim the arms control issue and the White House.

Internal Senate rivalries became apparent late last year in the elaborate planning for the hearings and

Policy changes by President Reagan would further privatize the U.S. space program. Page 2.

one with the most extensive verification provisions in history."

"It will make America and its allies more secure," the president said.

The Senate majority leader, Robert C. Byrd of West Virginia, reflecting the views of both supporters and opponents, has called the treaty a stalking horse for another proposed treaty to reduce strategic nuclear arms. That accord is now being negotiated in Geneva. Mr. Reagan would like to complete it before he leaves office.

The treaty on intermediate-range missiles, Mr. Byrd said, "could very well be either the beginning or the end of arms control — the first step or the last step."

Other senators have noted that in a practical sense, the treaty has already been ratified because

Reagan To Seek Tax Cut He Will Propose A Reduced Levy On Capital Gains

By Robert Pear
New York Times Service

WASHINGTON — President Ronald Reagan plans this week to ask Congress to reduce the tax on capital gains, White House officials say.

Such reductions "should be a cornerstone of tax reform for the 1990s," Mr. Reagan says in a draft of his legislative message to Congress. The document is to be delivered to Congress when Mr. Reagan delivers his State of the Union message Monday. It contains more detail than the speech.

Capital gains are the profits achieved through the sale of stocks and bonds, real estate and other assets held mainly for the purpose of investment. They are now taxed as ordinary income. The top rate for most individuals is 28 percent, although some wealthy individuals must pay 33 percent on some income.

"Experience suggests that lowering the capital gains tax may mean increased, rather than decreased, tax revenue," Mr. Reagan says. "When capital gains taxes increase, investors tend to hold rather than sell their assets, passing their untaxed gains on to their children. In this case, no taxes are paid, and investors are locked into old investments."

Mr. Reagan does not specify the "optimum rate" on capital gains, saying that should be worked out in consultation with Congress.

Aides to Representative Dan Rostenkowski, Democrat of Illinois and chairman of the House Ways and Means Committee, said he was willing to listen to arguments in favor of a reduction in the capital gains tax. But they anticipated that he would not support such a proposal, in part because of concern that it might reduce federal tax collections.

Mr. Reagan's legislative message is organized around the themes in the preamble to the Constitution. The tax proposals are described as an effort to "promote the general welfare" by giving individuals more freedom to control their own resources.

"When the capital gains tax rate was doubled in 1969, it led to a steady decline in the government's revenue from this tax," Mr. Reagan said. "By contrast, a reduction in the capital gains tax rate in 1978 and again in 1981 led to increases in capital gains tax revenue."

However, Joseph J. Minarik, an economist at the Urban Institute, a research center in Washington, said there was no consensus among experts on the effects of such reductions.

"I believe that cutting capital gains tax rates right now would lose revenue," Mr. Minarik said.

Most of the Republican candidates for president have supported a reduction in the tax, arguing that it would stimulate investment and help create jobs. Liberal Democrats ridicule that idea, saying that higher-income individuals would benefit most from a cut in the tax and that unearned income should



An Israeli soldier telling a striking Palestinian not to reclose a shop that troops forced open Sunday.

New Talk Of Afghan Neutrality U.S. and Moscow See 1955 Austria Treaty as a Model

By Don Oberdorfer and David B. Ottaway
Washington Post Service

WASHINGTON — The United States and the Soviet Union have begun discussing formal neutrality for Afghanistan based on the Austrian model as international negotiations on a Soviet pullout enter a potentially decisive phase, according to U.S. and Soviet officials.

The discussions, which were described as preliminary, envision arrangements similar to those that have assured the neutrality of Austria since the withdrawal of Soviet and Western forces in 1955.

After the signing of the Austrian State Treaty by the United States, Soviet Union, Britain and France, Austria declared perpetual neutrality of her own free will and pledged not to join military alliances or accept foreign military bases. The declaration had been approved in advance by the great powers and was part of the price of the Soviet agreement to withdraw.

U.S. policy has long backed a nonaligned, sovereign and independent Afghanistan following the withdrawal of Soviet troops. Neutrality goes somewhat further both as a legal concept and a practical obligation not to cooperate in the military activities of other nations.

The Austrian model has been under discussion because it is one of a few instances in which the Soviet Union has withdrawn its military forces and domination since World War II.

Soviet officials indicated that Moscow was interested in the Austrian precedent. Any such arrangement would be in addition to the peace accords being negotiated in Geneva under United Nations auspices.

Details of a neutrality arrangement have not been worked out, and a senior State Department official said Afghan neutrality would hinge as well on decisions by Afghan leaders in power at the time of the withdrawal.

Afghanistan's neutrality is one of a number of unresolved issues, according to U.S. officials.

The current focus of attention is

U.S. Sets Plan to Retain Europe's Arms Balance

By John H. Cushman Jr.
New York Times Service

WASHINGTON — Pentagon officials have endorsed a plan intended to maintain the military balance in Europe after the withdrawal of nuclear missiles under a new treaty.

Defense Secretary Frank C. Carlucci and Admiral William J. Crowe Jr., chairman of the Joint Chiefs of Staff, believe that even in the current era of flat spending on military programs the new approach will permit increases in military strength in Europe, according to officials familiar with the plan.

The plan favors land-based troops and artillery with increased ranges, missiles capable of being fired by aircraft flying hundreds of miles from their targets, unmanned drones to collect intelligence and attack important targets and electronic warfare systems such as radio jamming. Traditional weapons like tanks and fighter planes would get proportionally less emphasis.

The approach was developed, officials said, late last year when it appeared likely that the treaty banning medium- and shorter-range missiles would be signed. But it

conveniently meets the administration's military arguments against critics who contend that the treaty leaves the Western alliance at a severe military disadvantage in Europe.

Pentagon officials, who call the idea "competitive strategies," describe it as an approach that exploits critical weaknesses in the Warsaw Pact's military and emphasizes the Atlantic allies' strong suits in technology and tactics.

The plan will make clear the Pentagon's position on what other nuclear and conventional arms must be deployed by the United States and its allies in the North Atlantic Treaty Organization. The plan is to be presented to Congress as the Senate considers the treaty eliminating intermediate-range missiles in Europe, which was signed last month by the United States and the Soviet Union.

One of the most serious objections raised by opponents of the new treaty is that it would leave the NATO alliance at a severe disadvantage in conventional military strength while curbing the nuclear arsenal. This argument is expected to dominate much of the debate in the Senate on whether to consent to the treaty, a debate that begins with hearings Monday.

In the hearings, military leaders are expected to say that while the Joint Chiefs of Staff endorse the treaty, they remain dissatisfied with the status quo that will be left after the United States removes ground-launched cruise missiles and Pershing ballistic missiles with their nuclear warheads.

At the same time, military leaders will argue that by making a relatively few, but important, changes to forces deployed in Europe the Allies can maintain NATO's ability to deter war by increasing the likelihood that any attack by the Soviet Union and its allies would fail.

The military will not argue that these changes can be made without substantial spending, either by the United States or its allies. But the

MONDAY Q&A

Brent Scowcroft, the former White House adviser, predicts easy Senate passage of the INF treaty. Page 2.

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Capital gains tax rate in 1978 and again in 1981 led to increases in capital gains tax revenue.

U.S. officials have not been briefed on the approach, but U.S. commanders have endorsed it, as have the civilian secretaries of the military services.

The new policy of "competitive strategies," will be used to select those weapons that deserve additional funds at a time when the Joint Chiefs concede that military spending by the United States and the allies will probably remain constant or decline.

Most of the Republican candidates for president have supported a reduction in the tax, arguing that it would stimulate investment and help create jobs.

Increasingly concerned about what is widely seen as a major public relations problem, government officials are saying that the orders to beat Palestinians have been changed, or clarified to avoid "irregularities," or even that they were not given.

Since Mr. Rabin's statement last week, military commanders, soldiers, foreign relief workers and Palestinians who have been beaten have been extensively quoted in the local and foreign press.

Hospital records showed that more than 200 Palestinians had been treated for broken bones or other serious injuries from beating in the first three days after Mr. Rabin announced the policy.

Many of the Palestinians were taken out of their homes and beaten in house-to-house sweeps by the army through refugee camps and Palestinian villages where there had been clashes.

In several instances, injured people and witnesses said, soldiers broke the hands of young men in an apparent effort to halt stone-throwing.

Concern among Israelis has focused primarily on the impact of news coverage on public opinion, particularly in the United States, and, to a lesser extent, on possible harm to the mental health of the soldiers carrying out the orders.

The army lifted curfews Sunday on most Palestinian refugee camps in the Gaza Strip; where 200,000 people had been prevented from leaving their homes for nearly two weeks. About 60,000 people remained under curfew.

On the television news Sunday night, the second item was about adverse reaction to Israel in the

Minister Defends 'Limited Force,' Denies Beatings Are Israeli Policy

Jerusalem — Israel's police minister, Lieutenant General Haim Bar-Lev, said Sunday after a cabinet meeting that the military was using only limited and necessary force to cope with Palestinian unrest in the West Bank and Gaza Strip.

General Bar-Lev denied that troops had adopted a policy of beatings to quell demonstrations in the occupied territories, where Israeli tactics in nearly seven weeks of disturbances have drawn widespread condemnation.

Defense Minister Yitzhak Rabin said last week, in what was widely taken to indicate a change of policy, that the army would use "might, power and beatings" to crush the unrest and avoid adding to the toll of at least 38 Palestinians shot to death by Israeli soldiers.

Cabinet sources said, however, that Mr. Rabin and the army chief of staff, General Dan Shomron, told the cabinet Sunday that army had been ordered to use force to disperse demonstrators but to avoid beating them as punishment or after arrest.

"There is no beating," General Bar-Lev said. "This is an unfortunate term. The policy is to use limited force, reasonable force, if this is absolutely necessary to keep law and order."

Public Relations Problem
John Kijner of The New York Times reported Sunday from Jerusalem.

Increasingly concerned about what is widely seen as a major public relations problem, government officials are saying that the orders to beat Palestinians have been changed, or clarified to avoid "irregularities," or even that they were not given.

Wall Street Awaits Recession

For Many Economists, the Question Is Not If, but When

By Albert B. Crenshaw and Stan Hinden
Washington Post Service

WASHINGTON — Waiting for the recession is the name of the game on Wall Street these days.

A recession is seen by Wall Street's economists and analysts as inevitable. The key question is when will it arrive. Most observers are betting on 1989 rather than 1988.

Either way, Wall Street is busy devising strategies to cope with a business downturn, which is always bad for the stock market.

The possibility of a recession will be a "dark cloud" that will hang over the stock market for some time and affect investor confidence, said Hugh A. Johnson, economist with First Albany Corp. of Albany, New York.

Wall Street, he said, can look forward to a "turbulent but quite volatile" stock market. "I see the Dow Jones industrial average trending lower around the 1,700 level. It'll be a year with a downward skew." The Dow closed Friday at 1,903.51.

Outside of Wall Street, where opinions have not been so severely colored by the market's plunge in October, some economists think a recession can be avoided.

Lyle E. Gramley, chief economist of the Mortgage Bankers Association, forecasts modest growth for the economy, with improving performance in the second half. He said he thought "the prospects are reasonably bright" that the nation can escape recession at least through next year.

But even the most optimistic forecasters note that the expansion that began in 1982 has been under way for a long time by historical standards and is expected to run out of gas any time now.

Consumer spending, one of the main engines of the expansion, had begun to slow even before October, and the stock-market slide has dampened it even further.

Analyzing the consequences of the consumer slowdown, and the whole market slump, economists look at the same facts and draw opposite conclusions.

Henry J. Gailliot, an economist at Federated Research Corp. in Pittsburgh, said he thought that the market crash increased the probability of a recession to more than 50-50.

The crash was "superimposed on an old and extended business cycle," he said. Whatever the economic outlook at the time of the market's fall, the crash "had to make it worse."

On the other hand, according to Mr. Johnson, the stock-market crash may have been a blessing in disguise.

"It caused a retrenchment of consumer spending that was very healthy," he said. "It pulled us back from a boom trajectory to a no-boom, no-bust trajectory. It increases the chance of noninflationary economic growth in 1988."

Mr. Gramley expressed a similar view. The collapse eased the up-

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Scargill Retains Top Union Post

SHEFFIELD, England (Reuters) — Arthur Scargill narrowly retained the presidency of the National Union of Mineworkers after a significant challenge from the more moderate wing of the British coal miners' union, election officials said Sunday.

Mr. Scargill, 50, a Marxist hardliner who became a symbol of resistance to Prime Minister Margaret Thatcher when he led a bitter and ultimately futile year-long strike in 1984-85, beat the moderate candidate, John Walsh, 40,383 to 34,675 in a poll of the union's 30,000 miners. His strongest support came from South Yorkshire.

Manigat Named Victor In Disputed Haiti Vote

PORT-AU-PRINCE, Haiti — Leslie F. Manigat, a university professor regarded as the favored candidate of the military government, has been elected president of Haiti, election officials said Sunday. Opposition candidates asserted that the vote was fraudulent.

Mr. Manigat received 50.3 percent, or 534,080 votes out of a total 1,062,016 votes cast in the Jan. 17 election, according to results made public by the government-appointed Electoral Council. With 50 percent of the vote, Mr. Manigat avoids a run off.

Opponents of the government say the military helped Mr. Manigat to victory by distributing his ballots to soldiers, stealing ballot boxes at the close of polls and falsifying tallies.

The government scheduled the balloting after an independently run presidential election on Nov. 29 was canceled because of violence. The leading candidates in that election refused to take part in the second balloting.

Final results from the vote showed Hubert DeRoqueray was second with 210,526 votes; Gerard Philippe-Anguste was third with 151,391, and Gregoire Eugene was fourth with 97,556. Seven other candidates split the remaining 68,463 votes.

Election officials said 35 percent of three million eligible voters took part in the election, but opposition

Manigat Named Victor In Disputed Haiti Vote

leaders said double voting and other irregularities inflated the totals.

The U.S. government said the elections could not be considered "free and fair."

Economy Wobbling
Howard W. French of The New York Times reported earlier from Port-au-Prince.

On cable television programs, stores in the capital advertise for foreign exchange, offering to purchase U.S. dollars and travelers' checks at a premium over the official exchange rate of five Haitian gourdes to the dollar.

The advertisements are the latest indication of Haiti's precarious finances and an omen of hardships to come for a military government that has lost most of its foreign aid.

The United States, Canada, France and other donor countries cut their aid to Haiti by a total of more than \$100 million after the Haitian government canceled the balloting in November.

Foreign diplomats said the cuts were meant to send a strong signal that if the government continued to stray from its commitment to democratic elections and a new constitution, it could expect little help in meeting the crushing needs of the poorest country in the Western Hemisphere.

Without the foreign aid, diplomats said, Haiti would be in a dire state.

U.S. Envoy Attends Funeral for South African Editor

Edward J. Perkins, the U.S. ambassador to South Africa, at a funeral service Sunday for Percy Qoboza, a black newspaper editor, in Soweto, South Africa. The police banned flags and placards at the service and prohibited laymen from giving speeches without police permission.



Mats Wilander of Sweden on his way to defeating Pat Cash of Australia to win the Australian Open title on Sunday. Page 13.

General News
Optimism on the economy is shaping the farm vote as the Iowa caucuses near. Page 3.

Fashion
Lacoste opened Paris fashion shows with a bang. Page 6.

Business/Finance
Eastman Kodak will have to borrow heavily to finance its bid for Sterling Drug. Page 7.

Carlo de Benedetti pledged to shake up Societe Generale de Belgique if his bid for control is successful. Page 7.

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As Iowa Caucuses Near, Optimism on Economy Hides Farm Crisis Scars

By William E. Schmidt
New York Times Service

PERRY, Iowa — Down at the Maid-Rite snack bar, where farmers from Dallas County have long sought refuge on winter mornings, the talk used to be of hard times and "those chokers" who was in trouble with the bank and who had already gone broke, who wasn't going to be around come spring, when it was time to plant the corn.

But these days, says Bob Rosen, who owns the local farm-implementation dealership, the conversations are different, more upbeat. "These boys are talking about buying the 80 acres next door or trading up for a new combine," said Mr. Rosen, whose own business last year was as good as it has been any time since the 1970s. "I don't think anyone would say the crisis is over, but there is definitely a better attitude out there."

In about two weeks, voters in Perry and other towns across Iowa will gather in their churches and town halls and schools to vote their preference for the president in the state's political caucuses.

While the farm recession has left deep scars in Iowa's rural landscape, and as many as a third of the state's farmers still are in some financial distress, the fact that the rural economy did improve in 1987 probably has dimmed the political impact of the farm problem. It also has dimmed an issue that Democrats hoped would yield a bumper crop of supporters at next month's caucuses.

"When the pig's not caught under the gate, he doesn't squeal," said Mr. Rosen.

Martin Terrill, who is a sheep farmer and also acts as a mediator in farm-creditor disputes in Dallas County, added: "Things have been down so long, everyone's ready a year like this. Everybody's needed for some optimism."

Indeed, much of the political rhetoric in recent weeks has turned, in part, on the rhetorical question: Is the farm crisis over in Iowa? The question, essential to the politics of a state where the economy is so dominated by agriculture, is sure to emerge in the final debates among the presidential contenders in Iowa.

There are objective measures that indicate that things have, indeed, become better, both for small, family farmers and for large agribusinesses. State farm employment is down, and land values, which fell 65 percent over the previous four years, climbed 11.2 percent last year. Meanwhile, the cumulative real estate debt among farms and farm households in Iowa has been dropping steadily, falling to \$7.2 billion at the end of 1986 from a high of \$9.1 billion in 1983.

Republicans, for the most part, argue insistently that times are better. In a speech before the com-



John B. Connally Jr. and his wife, Nellie, viewing some of the household belongings they will part with due to bankruptcy.

Auction Tarnishes a Tough Texas Icon

By Peter Applebome
New York Times Service

HOUSTON — His eye took in a quarter-million-dollar painting, fabulous antiques and imposing mementos of fame and power, but as he looked across the possessions of a lifetime on Friday, John B. Connally Jr. found himself musing about a 12-gauge shotgun he won at the Grand National Quail Shoot in Enid, Oklahoma, in 1967.

"We had a team from Texas that competed against 30 teams from around the country, and after two days of shooting we won first place," said the former governor of Texas, U.S. Treasury secretary and presidential aspirant. "I hate to lose that. There's a story behind almost every one of the 1,100 items you see here. It's more than giving away a physical item. It's giving away a part of what we are."

There were a lot more than personal stories being told Friday night at Mr. Connally, 70, and his wife, Nellie, began a four-day bankruptcy auction in which they will sell off everything from Spode and Royal Copenhagen china, to the pean desk and leather chair he used as governor, to a washer and dryer.

The fall of Mr. Connally, whose silver hair, steady gaze and self-confidence seemed to epitomize Texas, has hit the state as a public tragedy as much as a personal one. And the story of Texas' giddy boom and painful bust was being played out one more time, in perhaps its most resonant form, in a remarkable auction complete with Texas barbecue, white wine and black humor.

"It would break my heart to give this up, and I'm sure it's breaking theirs," said Betty Stansell, a local resident who inspected the sale items Thursday. "I wonder what people in New York or Chicago are thinking. I wonder if they're laughing or if they're sad or if they care. I guess some people are enjoying seeing Texas get its due, but the truth is we have a lot to be proud of, and we're by no means dead. Like Mrs. Connally said, they'll come back and so will Texas."

The auction, which nearly sold out its \$15 million of items, was a stark contrast to the ranch, south of San Antonio. With pensions from government posts, seats on several corporate boards and business connections throughout the state, Mr. Connally does not face anything approaching poverty.

But given a reputation for self-assurance that often has struck critics as arrogance, Mr. Connally's highly public promotion of the auction so as to maximize revenue for creditors has struck a particularly poignant note in Texas.

Skeptics say it was Mr. Connally's over-arching ambition and poor judgment as well as the state's economic downturn that led to his ruin. And some say those he did business with stand to suffer more than he will.

But there were few if any doubters among the thousands who inspected his collection or the 2,000 people at the auction. To them, Mr. Connally remains something of a Texas icon, whose fall only confirms how badly the state has been hurt by the collapse in oil prices since 1985.

For Mr. Connally the auction marked a low point in a career as tumultuous as the state's.

He was wounded on Nov. 22, 1963, by the assassin who killed President John F. Kennedy in Dallas, was acquitted on bribery charges while serving as Treasury secretary and spent \$12 million on a run for the 1980 Republican presidential nomination that netted him one delegate.

Mr. Connally said he planned to begin his autobiography in the coming year. Asked where his current problems fit into that saga, he did not miss a beat.

"Probably Chapter 11," he said.

'It's more than giving away a physical item. It's giving away a part of what we are.'

John B. Connally Jr.

entry tickets Thursday, is an attempt to pay back some of the \$49 million Mr. Connally owes creditors. It is expected to bring in \$2 million to \$3 million.

Mr. Connally filed for bankruptcy July 31 after the collapse of his real estate investment partnership with former Lieutenant Governor Ben Barnes. The partnership took out many of its loans on Mr. Connally's signature, leaving him personally liable.

Under the terms of the bankruptcy filing, in which he sought protection from creditors' lawsuits while reorganizing his affairs under Chapter 11 of the federal bankruptcy law, Mr. Connally retains \$300,000 worth of personal property and 200 acres (80 hectares) of the 3,400 acres of his homestead at the Picos

Apparent Suicide In Audience Halts Production at Met

By Elaine Sciolino
New York Times Service

WASHINGTON — The United States has funneled tens of millions of dollars to religious-affiliated schools and hospitals around the world under a little-known program administered by the Agency for International Development.

U.S. Aid to Religious Schools Abroad Questioned

The program, American Schools and Hospitals Abroad, has since 1971 quietly financed Jewish, Catholic and Protestant schools and hospitals in Africa, Latin America, Asia and the Middle East. The most sensitive part of the program has involved grants to Orthodox Jewish institutions in Israel whose primary purpose is to teach religious studies.

Many of these institutions would be ineligible for government money if they were in the United States because of the constitutional principle of separation of church and state, according to Reagan administration officials and legal experts.

The Agency for International Development, which administers foreign aid overseas, says the purpose of the schools and hospitals program is to educate and train students, primarily in the developing world.

The disclosure of the program's financing patterns in a recent article in Washington Jewish Week, an American Jewish newspaper, followed a widely criticized \$8 million federal grant for the construction of schools in France for North African Sephardic Jews.

Despite the objections of the State Department and the Office of Management and Budget, the grant was successfully maneuvered through Congress by Senator Daniel K. Inouye, Democrat of Hawaii, as part of the \$604 billion appropriation bill signed into law last month by President Ronald Reagan. Although the appropriation was not made as part of the schools and hospitals program, it raised larger questions about government financing of religious institutions.

On Friday, the American Civil Liberties Union announced it was planning to take legal action to prevent the money from being spent for the French schools.

"It's clearly unconstitutional," said John A. Powell, the organization's national legal director. "Its purpose is to establish a religious institution to educate a particular set of children and it does injury to different religious organizations in this country."

The Civil Liberties Union said it also intended to investigate whether any U.S. funds should be spent on religious-affiliated schools and hospitals abroad that would not be eligible for government assistance if they were in the United States, an issue whose constitutionality has never been tested.

Several Jewish organizations that actively promote the separation of church and state in the United States would not comment on the issue.

Marc Stern, co-director of the legal department at the American Jewish Congress, said: "Such funding in the United States would be unconstitutional, but we've never taken a position on the application of the Constitution overseas."

A congressional specialist with the American Israel Public Affairs Committee, the leading American pro-Israel lobby, said the organization takes no position on the issue.

According to documents of the schools and hospitals program, it has given \$2 million since 1985 to such religious schools as Ohr Somayach, a girls' affiliate of a yeshiva in Jerusalem; Shaalvim Teacher's College, which trains teachers for Hebrew and day schools and yeshivas, and \$300,000 to the American College of Beit a Hassidic college in Jerusalem. It has given \$750,000 since 1983 to the Beth Rivka Comprehensive School, a Hassidic girls' school.

Under the program's regulations, grants are awarded on a competitive basis to schools and teaching hospitals abroad that are sponsored by U.S. organizations.

The recipients must "reflect American educational ideas and practice" and be open to all applicants, regardless of religion.

"To train persons for religious pursuits" or to construct facilities "for worship or religious instruction."

State Department officials and AID administrators acknowledge that some schools that apply for and receive grants do not appear to qualify under these rules, but that intense congressional pressure has helped push them through.

In addition to the religious training schools in Israel, dozens of other schools and hospitals with varying degrees of religious affiliation have been financed in recent years.

Last year, for example, the program gave three Roman Catholic colleges in the Philippines more than \$2 million, an Adventist hospital in Bangkok \$300,000, a Presbyterian-affiliated hospital in Haiti \$200,000, a Protestant-affiliated medical college and hospital in India \$700,000 and an Episcopal-sponsored college in Liberia \$720,000. In 1984, Bethlehem University, a school run by the Christian Brothers in the Israeli-occupied West Bank, received \$1 million.

Brazil Seeks Arms Sales In Mideast

By Juan de Onis
International Herald Tribune

BRASILIA — Brazil is apparently making a successful drive in the Middle East arms market to expand its position as the largest arms exporter among the developing countries.

Early this month, the 42-ton Brazilian tank Osorio was selected by Saudi Arabia, which will purchase 1,200 of the vehicles. And last week, a high-level Libyan military mission visited Brasilia to discuss a major purchase of tanks and missiles estimated at \$2 billion.

The value of the Saudi contract, based on a total of 1,200 tanks, would be \$5 billion, according to Engesa, the Brazilian manufacturer. Brazil has agreed to set up an assembly plant for the tanks in Saudi Arabia and to train maintenance personnel. The first 236 tanks are to be delivered this year.

The largest previous foreign arms contract won by a Brazilian manufacturer also was with Saudi Arabia, a \$500 million deal under which Avibras Sistemas Aerospaciais is delivering Astros-2 multiple rocket launchers.

Brazil's large industrial capacity is the basis for the country's competitive arms industry. In 1987 steel and automotive plants in Brazil produced \$3 billion of goods for export.

The country has established its credentials as an arms supplier in the Middle East by selling of billions of dollars worth of weapons to Iraq, almost since the start of the war with Iran. The main items that Brazil has provided to Baghdad have been armored personnel carriers, combat cars for desert conditions and missile launchers.

In 1986, Brazil bid successfully to supply Egypt with 1,000 Tucano jet trainers. The Tucano is produced by Embraer, the Brazilian state aircraft enterprise. Embraer also manufactures the Bandeirante and Brasilia passenger airplanes.

Embraer, in a joint venture with Italy, is preparing to produce the sub-sonic AMX fighter-bomber at a manufacturing plant in São José dos Campos, in São Paulo Province.

In price and technology, this tactical aircraft has been designed to be accessible to developing countries. It also will be used by Italy, and will replace old U.S. F-56 in the Brazilian tactical command.

The visit to Brasilia of the Libyan mission, led by Colonel Ahmed Mahumad Ali, director of procurement for the Libyan Army, marked the last stage of a rapprochement between the two countries after a 1984 diplomatic incident.

Libya, which earlier had purchased Brazilian military vehicles such as the Urutu armored personnel carrier and the Cascavel armored car, was cut off from Brazilian sales in 1984 after Brazil discovered an arms shipment bound for Nicaragua aboard a Libyan cargo plane.

The Libyan aircraft had landed in northern Brazil for refueling. A manifest said that the plane was carrying "humanitarian" supplies.

During the visit last week, Colonel Ali met with the army minister, General Leonidas Pires Gonçalves; the air force minister, Brigadier Otavio Moreira Lima; and Roberto de Abreu Sodre, the foreign minister.

The newspaper O Estado de São Paulo quoted Army Ministry sources as saying that the Libyans had shown interest in a new line of ground-to-ground missiles with a range of up to 620 miles (1,000 kilometers). There was no comment from official sources.

AMERICAN TOPICS

'We Shall Overcome': How It Came to Be

"We Shall Overcome," the anthem of the civil rights movement, originated in the oral tradition of black spirituals. The authors of the words and music, if indeed there was a single author of either, are lost to history. It began with the words "Til Be 'All Right" when it was sung in black churches at the turn of the century.

The opening words, which form the title, had changed to "I Will Overcome" by the time tobacco workers in Charleston, South Carolina, sang it on the picket line during a 1946 strike. They changed it to "We Will Overcome."

A year later some of the former strikers took part in a workshop at the Highlander Folk School in Monteagle, Tennessee, and sang the song there. The school's music director, Zilphia Horton, published it in songbooks sent to labor organizers.

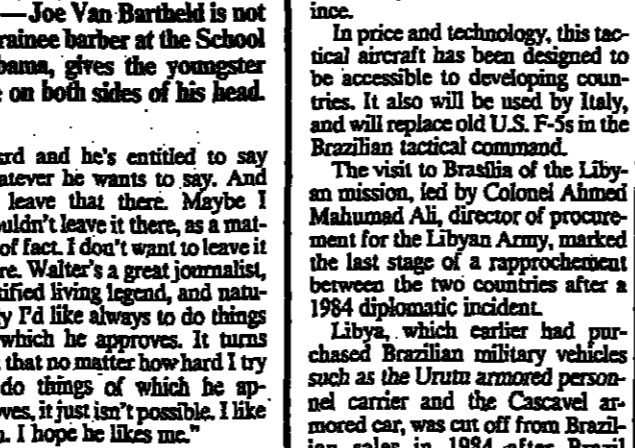
By the mid-1950s it was a standard at progressive gatherings.

Pete Seeger, the folk singer, is credited with changing "will" to "shall" and adding a second verse. The song was copyrighted in 1963 by Miss Horton.

Mr. Seeger and two other folk singers, Guy Carawan and Frank Hamilton, all four are white. All royalties go to a Highlander school fund for black songwriters and composers.

In 1957 Mr. Seeger sang it to the civil rights leader, the Reverend Martin Luther King Jr., who remarked: "That song, it really sticks with you."

"As was so often the case," notes Carlyle Murphy in The Washington Post, "King's words proved prophetic."



A HAIR RAZING EXPERIENCE — Joe Van Bartheld is not sure a punk haircut is his style as a trainee barber at the School for Cosmetology in Gadsden, Alabama, gives the youngster what looks like a pretty close shave on both sides of his head.

Notes About People

After Dan Rather, the television anchorman for CBS News, walked off the set of a delayed newscast in October, leaving the network to go black for six minutes, his predecessor, Walter Cronkite, said, "I would have fired him." Recently Mr. Rather, asked in a Washington Post interview to comment on this, said: "Walter is a member of the board and he's entitled to say whatever he wants to say. And I'll leave that to him. Maybe I shouldn't leave it there, as a matter of fact. I don't want to leave it there. Walter's a great journalist, justified living legend, and naturally I'd like always to do things of which he approves. It turns out that no matter how hard I try to do things of which he approves, it just isn't possible. I like him. I hope he likes me."

"Bird," the story of the saxophonist Charlie Parker, is the second film Clint Eastwood has directed but not acted in, the other being "Breezy" in 1973. Mr. Eastwood told The Washington Post that the night before he began the 1971 film "Play Misty for Me," of which he was both star and director, he was lying in bed running each shot over in his mind, feeling uneasy that he had somehow forgotten something. What he had forgotten was that he was also sharing the lead with Jessica Walter. "I thought, 'Oh, my God' and switched on the light and started to memorize pages of dialogue."

—ARTHUR HIGBEE

Short Takes

Egg consumption is still dropping. In 1976, Americans ate 276 eggs a year per capita. This is expected to fall to 246 this year. At the peak, in 1945, a typical American consumed 400 eggs a year, according to the U.S. Department of Agriculture. It said concern about cholesterol and changing tastes in food account for the drop.

Isidor Isaac Rabi, the 1944 Nobel prizewinner in physics who died Jan. 11 in New York at 89, was fond of saying that "my mother made me a scientist with-

LATIN AMERICA

TOWARDS RENEWED GROWTH

London, February 11-12, 1988

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FEBRUARY 11	FEBRUARY 12
NEW INITIATIVES IN MULTILATERAL LENDING Antonio Ortiz-Mena , President, Inter-American Development Bank. SPECIAL ADDRESS Speaker to be announced. Coffee BREAKING THE DEBT CIRCL: WHY LATIN AMERICA NEEDS MORE THAN CURRENT DAMAGE LIMITATION MEASURES Belleario Belanquer , former President, Colombia Sir Jeremy Morse , Chairman, Loyds Bank PLC, London. FROM DEBT TO NEW FOREIGN INVESTMENT Mauricio Garcia-Araujo , President, Central Bank of Venezuela. DISCUSSION ON MORNING SESSIONS Luncheon THE URUGUAY ROUND AND THE CHALLENGE FOR NORTH/SOUTH COMMERCIAL RELATIONS Arthur Dunkel , Secretary General, GATT, Geneva. Enrique Iglesias , Foreign Minister, Uruguay. THE RESTORATION OF TRADE AND FINANCE FLOWS Giuliano Armatto , Treasury Minister, Italy. Nicolas Ardo-Bartelia , former President, Panama. Pedro Pablo Kuczynski , President, First Boston International DISCUSSION Cocktails	HOW THE COMMERCIAL BANKS SEE NEW DEBT INITIATIVES William Rhodes , Chairman, Restructuring Committee, Citibank, N.A., New York. Franz Lutolf , General Manager, Swiss Bank Corporation. Richard Martin , Senior Vice-President, Bankers Trust Company Coffee OPENINGS TO FOREIGN INVESTMENT MEXICO: Gustavo Petricoli , Finance Minister EQUADOR: Rodrigo Espinosa , President of the Monetary Board COSTA RICA: Fernando Naranjo , Finance Minister DISCUSSIONS ON MORNING SESSIONS Luncheon MULTINATIONAL COMPANIES' INVESTMENT PERSPECTIVES IN LATIN AMERICA Jean-Jacques Faust , Délégué Général au Brésil et en Argentine, Compagnie de Saint-Gobain, Rio de Janeiro. Gerrit Jeseloff , Vice Chairman, Philips Industries, Eindhoven. CHANGING APPROACHES — BRILIS'S PRIVATIZATION PROGRAM Speaker to be announced. PERU'S NEW FINANCING SCHEMES Guillermo Larco-Cox , Prime Minister, Peru. DISCUSSION Closing Remarks *Invited/Subject to confirmation

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25-1-88

George Bush - Co-pilot of flight attendant

Vertical text on the right edge of the page, including "IHT 2/88" and "call at 690".

Herald Tribune

Thuggery Cuts Two Ways

It would be a profound mistake for Israel to believe that it can restore order in occupied Gaza and the West Bank by resorting to brute force and brutality and betraying its own values.

An interim arrangement giving the West Bank and Gaza a degree of autonomy pending a larger settlement. But this assumes that the means used to quell unrest are distinct from subsequent negotiations.

Vietnam Moves Slowly

Vietnam's Communist rulers, nearly 13 years after extending their power from north to south, are making their most concerted effort to find a more normal position in the world, but they are proceeding so slowly and hesitantly that the outcome is anything but ensured.

The immediate and abiding U.S. concern is an accounting of the 1,700 Americans still listed as missing in action. President Reagan sent General John Vessey to Hanoi last August, and the general returned with an understanding that Vietnam would help resolve MIA cases and Washington would encourage private organizations to send humanitarian aid for Vietnamese who lost limbs in the war.

For a Multilateral Force

The elections in Haiti have only complicated the political tragedy there. Lieutenant General Henri Namphy will now claim to have kept his pledge of providing for an elected successor by Feb. 7, the second anniversary of Jean-Claude Duvalier's departure.

In Haiti, at least, it is clear that the democratic alternative exists, and enjoys wide support. The Haitian poor, who risked their lives to demonstrate first against Jean-Claude Duvalier and now against General Namphy, understand that freedom cannot be won without cost.

Other Comment

For Elections in Hong Kong

Hong Kong is one of the last real international issues for which Britain bears direct responsibility. Whatever we do there affects the lives of nearly six million people, three million of them British subjects even though their passports forbid them to live in Britain.

them ahead? Whether such elections should take place is no longer an issue. But when the right time is now, the sooner the Hong Kong people see that elected leaders are in place and speaking to them, the better will be the chances of what both London and Beijing say they wish to sustain: prosperity and stability.



America's Involvement With Japan Can Grow

By Hobart Rowen

WASHINGTON — To America's other allies, its strong ties with Canada and Japan are sometimes a source of surprise. With Canada, the bond seems more rational: Canadians and Americans share a border, a long international history and one of Canada's two languages.

important bilateral relationship in the world. That is why it is important to defuse irrational responses in America over the huge Japanese trade surplus, as well as bitterness in Japan over America's seeming inability to put its economic house in order.

Japan achieved a 5 percent growth rate in domestic demand last year, while activity attributed to exports was down 1.3 percent. That yielded a net growth rate of 3.7 percent, faster than those of most of Japan's major trade partners.

Verification: An Ambitious Challenge to Engineers

By John A. Adam

This is the first of two articles.

WASHINGTON — As the U.S. Senate begins hearings on the INF treaty, a crucial issue will be how to detect potential Soviet violations.

and so forth. The end result, after processing an entire data stream thousands of bits long, is a final 64-bit cipher incorporating information about each bit of data in the whole stream.

Reykjavik at which the Soviet Union agreed to U.S. proposals regarding on-site INF monitoring, Roger L. Haggruber, vice president for systems analysis at Sandia, got a phone call from the Pentagon. It wanted a full-scale test facility built to examine sensors for continuous monitoring of a Soviet weapons production plant.

The United States and the Soviet Union have agreed that INF monitoring systems for the exits will include "weight sensors, vehicle sensors, surveillance systems and vehicle dimensional measuring equipment."

Get to Work on Verifying Verification

By Evgeny Chossudovsky

GENEVA — After a constructive summit, there should be concern that the follow-up proceeds without major hitches. For we are entering a new process: verifiable dismantling or substantial reductions of nuclear and other types of weapons.

only as a guarantee of compliance but also as a framework for a common learning process that eases mistrust. What can be done to help ensure the success of the verification regime?

cussion of evolving military doctrines. Dismantling of nuclear arms in good faith, systematic cooperation on bilateral and global projects (including better use of United Nations machinery), frequent consultations and visits, people-to-people contacts, more information flow and less unnecessary secrecy in many sectors could in time transform the U.S.-Soviet relationship, despite its underlying systemic antagonisms and divergent ideologies.

Israel Slides On a Slope To Tyranny

By Anthony Lewis

RAMALLAH. Occupied West Bank. — Last July a Palestinian lawyer, Mounir Rishmawi, went to the Ramallah prison to interview a cleric. While there he saw a handcuffed detainee being held with a heavy hood over his head that made it difficult for him to breathe.

S. Ban

WASHINGTON — The Senate has passed a bill to ban the import of goods from North Vietnam.

MSDAQ

MSDAQ is a new market for small companies.

100, 75 AND 50 YEARS AGO

1888: A Panama Canal?

PARIS — [The Herald says:] Every device known to the financiers of the world is being worked to inflate the Panama Canal bond, lottery bonds included.

1938: A Beardless Era

PARIS — It is true that Frenchmen are losing their love for beards, and everybody, of course, including barbers, has his own theory about it.

1913: Coup in Turkey

CONSTANTINOPLE — The "coup d'Etat" in the Ottoman capital [on Jan. 23] was as sudden as the revolution which overthrew Abdul Hamid [in 1909], but was not unexpected.

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Escrow Plan for Contra Aid Proposed

By Lou Cannon
Washington Post Service

WASHINGTON — President Ronald Reagan is leaning toward a scaled-down, contra aid package that would put all lethal aid for the Nicaraguan rebels in an escrow account pending the outcome of regional peace negotiations, an administration official said Sunday.

The official said that placing the aid in escrow would improve the chances of winning congressional approval of the aid request, especially in the House, and demonstrate that Mr. Reagan was willing to take "an extra step for peace."

Asked about an escrow plan on an ABC interview program, the House speaker, Jim Wright, Democrat of Texas, said, "If the president requests it, I'll consider it."

Mr. Wright, who could hold the key to passage of any additional aid request for the contra, as the Nicaraguan rebels are called, also said he would be guided by the recommendations of other Central American countries as to whether the contra should receive further non-lethal aid.

Meanwhile, in a personal letter to Mr. Reagan, President Daniel Ortega Saavedra called for "the immediate cessation of all support for the contra" and renewed his call for direct U.S.-Nicaraguan talks. Mr. Ortega said he was committed to "democratization" and that Nicaragua now allowed "the full and unrestricted exercise of freedom of speech, debate and association."

Reagan administration officials rejected both Mr. Ortega's appeal and his premises.

An official said the U.S. government continued to believe that any meetings with Sandinist officials should occur "in the regional context," meaning with the Central American countries that joined in August with the leftist government of Nicaragua in creating a regional peace plan.

The Reagan administration's move toward an escrow strategy is designed to appeal to a moderate bloc of 19 House Democrats who have urged the president to delay his aid request and, if he does not postpone it, limit it to non-lethal assistance.

Administration officials said Sunday that they had little choice on the timing of the aid request, which must be submitted by Wednesday and passed on in the House on Feb. 3 under terms of a compromise included in a bipartisan budget package approved by Congress last month. If the House



Brooklyn Rivera, left, a leader of the Miskito Indian separatist movement, being greeted by Interior Minister Tomis Borge Martinez after arriving in Managua for peace talks with the Sandinists.

approves the measure, it will be voted on by the Senate the following day.

Preliminary vote counts by the White House show that any proposal containing lethal aid is likely to lose in the House. White House officials believe the administration might be able to secure passage of a limited package of non-lethal aid, especially if such a proposal has regional support.

Officials said the aid package under discussion would include about \$40 million of non-lethal aid and \$5 million of lethal aid that would be put in escrow.

In his letter to Mr. Reagan, Mr. Ortega said that if the United States and Nicaragua signed "verifiable bilateral accords," Nicaragua could "advance more quickly" to agreements with its neighbors limiting the size of the Sandinist army and dispensing with all foreign military advisers. U.S. officials said they saw nothing new in this proposal.

Internal Dissent

Stephen Kinzer of *The New York Times* reported earlier from Managua that only a week after winning an important diplomatic victory at the meeting of Central American lead-

ers, Mr. Ortega is facing an unexpected challenge from within his government.

Sandinist demonstrators broke up an opposition meeting Friday were organized without Mr. Ortega's knowledge, an aide to the president said.

In a campaign to defeat U.S. aid for the anti-Sandinist rebels, Mr. Ortega has sought to portray his government as moving toward full democracy.

His associates say the internal confrontation has begun to undermine efforts aimed at preventing continued U.S. financing for the contra.

Interior Minister Tomis Borge Martinez and his supporters are taking actions that convey an impression different from the political effort by Mr. Ortega.

After the recent regional meeting, Mr. Ortega surprised many diplomats and politicians by announcing major political concessions. He lifted the state of emergency under which civil and political rights had been restricted for six years and he abolished the people's tribunals that have convicted hundreds of suspected counter-revolutionaries without normal judicial safeguards.

But as he announced the conces-

sions, the Managua police began detaining opposition leaders to question them about a meeting they held with contra leaders. The police are under Mr. Borge's command, and officials said he had ordered detentions without consulting Mr. Ortega.

Associates of Mr. Ortega said he was upset by the episode. They said it had led some members of Congress and other influential foreigners to doubt Nicaragua's commitment to political pluralism.

The attack Friday, on a meeting of relatives of prisoners, was thought likely to have a similar effect. It was carried out by members of Sandinist "mass organizations" that respond to Bayardo Arce Castro, a Sandinist leader who in the past has supported Mr. Ortega.

In an interview with U.S. newspaper editors Friday, Mr. Ortega was asked about his relations with Mr. Borge and other senior Sandinists. "We don't think exactly alike," he said.

Sandinist officials say Mr. Borge and his allies are worried about the implications of easing restrictions on the opposition.

"Tomis is sending a message, and the message is that you cannot be soft," an official said.

U.S. Allies Agree to Coordinate Gulf Effort

By George C. Wilson
Washington Post Service

WASHINGTON — Britain, France and Italy have agreed to have their navies work together to sweep mines out of the Gulf, defense officials have disclosed.

The pact calls for the three navies to take turns sweeping mines in such a coordinated pattern that at least five minesweepers will always be on duty, officials said.

Reagan administration officials said they were encouraged by this multinational approach to keeping the waters of the Gulf open to shipping. They added that the administration hoped this would blunt congressional criticism that the United States was bearing an inordinate burden by spending at least \$1 billion a day to protect the Gulf.

Also, sources said, the more active role by the allies comes at a time when the Reagan administration is looking for ways to reduce U.S. military presence in the Gulf region. Britain and Italy are full partners of the North Atlantic Treaty Alliance while France left the military command more than 20 years ago but has remained a member of the alliance.

There soon will be a highly visible decrease in U.S. firepower in the Gulf area when the battleship Iowa heads for home, navy sources said.

The British, French and Italian minesweepers will shore up what has turned out to be one of the U.S. Navy's biggest shortcomings in its Gulf operations.

The Kuwaiti tanker Bridgeton, sailing under the U.S. flag, struck a mine in the Gulf on July 24 during the navy's first escort operation. There was an embarrassing scramble after the attack to find minesweepers to combat this element of the Iranian military threat.

Italy's decision to participate in the minesweeping effort is likely to draw political criticism at home, officials said. The Italian Communist Party has been protesting the deployment of any part of the Italian Navy to the Gulf.

In the past week, British, French and Italian naval commanders in the area have declared that Gulf waters are, for the moment, virtually clear of mines after four months of intensive minesweeping operations.

The decision of the three nations to cooperate was taken by Western officials as a signal that the European navies were preparing to withdraw some of their forces and consolidate others in a joint venture, largely to save on costs.

The last reported mine attack in the Gulf was on Sept. 22.

Breaking Bones to Halt a Protest

A Palestinian, His Hands Broken, Describes Beating

By John Kifner
New York Times Service

NABLUS, Israeli-Occupied West Bank — Both hands encased in plaster casts, Imad Omar Abu Rub explained from his bed in the Rafidiya Hospital what happened when the Israeli Army came to the Palestinian village of Qabatiya.

"They entered the house like animals, shouting," said Mr. Abu Rub, 22, a student at Bir Zeit University. "They took us from the house, kicking us in the head, beating us, all the soldiers with their rifle butts."

Then he was taken to the construction site of an unfinished house, where, he said, the soldiers put an empty bucket over his head.

Several of the soldiers held him down, he said, gripping his arms to force his hands against a rock. Two others, he said, beat his hands with lengths of wood framing, breaking the bones.

The injuries are the product of a new, officially declared policy of the Israeli Army and the police to beat Palestinians in hopes of ending the wave of protests in the occupied West Bank and Gaza Strip that began in early December. Israeli troops have shot and killed at least 38 Palestinians during the protests.

In the bed next to Mr. Abu Rub's, Hassan Arif Kemal, 17, a high school student from Qabatiya, told a nearly identical story.

He said that he, too, had been pulled from his house by Israeli troops and taken to a construction site, and that his hands had been broken by soldiers wielding lengths of wood framing. His mother said that she had been beaten and bruised as she tried to stop the soldiers from taking her son.

Six people from Qabatiya were admitted Wednesday to Rafidiya Hospital with broken bones in their hands, hospital officials said. On Thursday, nine were admitted with bone fractures, mostly in the hands but some in the legs, after a similar army raid on the Palestinian village of Hawara.

"The first priority is to use force, might, beat-

ings," Defense Minister Yitzhak Rabin has said of the policy.

On Friday, witnesses in Jerusalem watched a young Palestinian being walked into the police station across from the Walling Wall by a group of policemen. He was one of four who, according to the police, had been singled out for "incitement and stone-throwing" after a brief demonstration near the Dome of the Rock mosque.

After about a half hour, during which screams were heard, the witnesses said, the man was brought out on a stretcher and put into an ambulance that had pulled close to the police station door.

"His face was swollen and he was seemingly unconscious," a witness said. "He did not move."

The Hebrew-language newspaper Ha'aretz reported Friday that in the Gaza Strip, a check of hospital and clinic records showed that 197 people had been treated for fractures because of beatings in three days.

Israeli newspapers have begun extensive coverage of the policy, including interviews with military commanders, who stress the effectiveness of the beatings but express worries about the moral effects on their troops, and with Palestinians who have been beaten.

The Jerusalem Post quoted a ranking military official Friday as saying that the policy was aimed at "striking fear of the army" into the hearts of increasingly defiant Palestinian protesters.

The commander, however, conceded that there had been instances of what he described as "irregularities."

Ha'aretz, citing a military background briefing, said that there had been a moderate decline in the level of unrest because of the beatings.

A military official was quoted as saying that the command had decided on the policy "so that people would be scared of the army, and so that one day we could get most of the units out of the territory, when people will remember and know for the future."

Internal Dissent Leads PLO to Delay Decision on a Government in Exile

By Alan Cowell
New York Times Service

BAGHDAD — Faced with internal dissent, the Palestine Liberation Organization has put off an immediate decision on whether to set up a government in exile, according to Western and Arab diplomats here.

Yasser Arafat, the chairman of the PLO, has expressed support for the idea.

His aides say the plan to establish such a government is part of an initiative to build on the Palestinian protests in the Israeli-occupied territories and to press for the convening of an international peace conference sponsored by the United Nations.

In a series of interviews and press statements recently, Mr. Arafat has said he would be ready to recognize Israel within its pre-1967 borders, provided that the Israelis acknowledge a Palestinian right to

an independent state in the West Bank and Gaza Strip.

A Palestinian government in exile, Mr. Arafat is said to believe, would strengthen the PLO's claim to represent the five million Palestinians in the region and would counter U.S. opposition to dealing with the PLO.

Israeli officials have said repeatedly that they would agree to an independent Palestinian state on Israel's borders.

In the 1978 Camp David accords with Egypt and the United States, Israel agreed to negotiate the granting of temporary local autonomy to Palestinians in the West Bank and Gaza Strip, pending final disposition of the areas.

However, the PLO has never agreed to such autonomy, and the negotiations that were conducted in 1979 and 1980 produced no agreement.

Since 1975, the United States has pledged to Israel that it would not

deal with the PLO until it openly and unequivocally accepted Israel's right to exist and agreed to UN Security Council Resolutions 242 of November 1967 and 338 of October 1973.

Earlier this month, Mr. Arafat and senior Palestinian officials met in Baghdad, where the PLO has its military headquarters, and held long discussions on the idea of a government in exile. They failed to reach agreement, according to Western and Arab diplomats.

"For the time being, the idea has been shelved," an official in Baghdad said.

In interviews in Baghdad, Mr. Arafat has acknowledged dissent within the PLO over the issue.

"Some of the PLO leadership believed that a government in exile could lead them down," said a Western diplomat who asked not to be further identified. "It would mean their accepting responsibility for things they could not control."

Guerrilla War Debilitates Mozambique

By William Claiborne
Washington Post Service

NAMACATA, Mozambique — Attacks by rightist guerrillas on humanitarian relief convoys have cut off more than a million subsistence farmers from emergency food supplies and have brought Mozambique to the brink of widespread famine, rivaling that of Ethiopia, according to representatives of foreign relief agencies here.

Meanwhile, a village of 100 people (10 kilometers east of the Zambezi provincial capital of Quelimane) was destroyed Jan. 12 by the guerrillas. Hundreds of such attacks in central and northern Mozambique in the last several years have helped bring the country close to almost total economic collapse, government officials and Western diplomats warned.

The attacks, and the looting and burning of fields at harvest time, have prevented as many as two million more farmers from producing crops, resulting in severe food shortages that are directly affecting 6.5 million of the country's 14 million people, independent relief officials said.

Moreover, the growing number of attacks on convoys carrying emergency food to rural areas is forcing relief agencies to turn to costly air-lifts, putting a further strain on assistance budgets.

The war being waged by the rebels of the Mozambique National

Resistance Movement has been condemned by the Reagan administration, which sees Mozambique's Marxist government as seeking to improve its ties to the West and possibly willing to abandon its socialist course.

The United States gave \$10 million in economic aid to Mozambique and \$75 million in food aid last year. To the consternation of some conservatives, President Ronald Reagan, who met in October with President Joaquim Chissano of Mozambique at the White House, has resisted a lobbying campaign to win U.S. backing for the rebels.

The destruction of villages such as Namacata has forced an estimated 1.8 million people to abandon their homes. Visits to other remote villages in the north elicited similar stories of destruction.

A tour by several foreign correspondents to normally inaccessible rural districts was arranged and conducted by the independent relief agency CARE International, which runs the largest food distribution program in Mozambique.

CARE officials said they invited the correspondents in the hope of focusing attention on an annual 800,000-ton food deficit that has led to a famine rivaling the better-known plight of Ethiopia.

CARE representatives and U.S. diplomats in Maputo said the misery of Mozambique had been exacerbated by increasing numbers of guerrilla attacks on emergency food convoys. In the past three months, more than 400 people have died in ambushes on convoys, many of them within 30 miles of Maputo.

Since 1984, CARE officials said, 15 of the agency's truck drivers and assistants have been killed in ambushes, 75 trucks have been destroyed or seriously damaged and 450 tons of food and relief supplies have been looted or destroyed by guerrillas. They said 500 tons of commodities also were stolen or destroyed in attacks on warehouses.

In the last six months, every road or rail line out of Maputo has come under attack," said the local CARE director, David Neff. "It's a nightmare trying to get stuff out of Maputo." He said the rebels' strategy appeared to have shifted from concentrating on the Zambezi Valley to trying to isolate Maputo.

Mike Mispelar, CARE's operations chief in Mozambique, said 35,000 tons of grain were needed each month to feed the starving but the organization received only 7,000 tons a month.

In Vila de Sena, on the Zambezi River near the Malawi border, townspeople talked about an attack last month in which 11 persons were killed and four were kidnapped by guerrillas, who often force villagers to work for them.

The once-thriving railroad town had been occupied by rebels from September 1986 to March 1987, when government troops retook it.

Antonio Enoque, a local leader, said the guerrillas came at night and threw a hand grenade into a house, killing seven persons, then opened fire on other houses as residents and a contingent of army troops fled across the river. Three days later, the soldiers counterattacked and drove the guerrillas out, he said.

Luis Jimo said he was abducted by the guerrillas, along with his wife and five children, and forced to march for four days with a 100-pound (45-kilogram) sack of rice on his back and no food to eat. He said another of his children had been killed during the attack by a hand grenade.

After a few days, he said, he and most of his family escaped, leaving behind one child who was sleeping in another part of the guerrilla camp.

Sometimes, as in the case of the 25th of September Camp near Quelimane, entire towns of 1,000 or more people have moved to relocation centers because of the constant attacks. In some cases, the refugees

said they were forced by government troops to move and were told that if they remained behind they would be regarded as supporters of the rebels.

Tunis and Cairo Open Diplomatic Relations

The Associated Press

TUNIS — Tunisia and Egypt have announced the resumption of diplomatic relations after a break of almost nine years.

The resumption of ties, effective immediately, was announced Saturday in a joint statement issued in Tunis and Cairo. Tunisia is 10th Arab nation to restore diplomatic ties with Egypt since November.

INTERNATIONAL POSITIONS

You will find below a listing of job positions published last Thursday under the rubric International Positions.

TITLE	SALARY	EMPLOYER
EXECUTIVE SEARCH CONSULTANTS		Leading Specialist.
COUNTRIES GENERAL MANAGERS		Leading Specialist.
MEDICAL OFFICER		World Health Organization (WHO).
SENIOR INTERNAL AUDITOR	U.S. \$60,000	United Nations Children's Fund (UNICEF).
SUBSCRIPTION SALES		Business Week.
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Make Valentine's Day special for someone in your life — wherever he or she may be. This year, the Trib has decided to use its unique world-wide circulation to play cupid in 164 countries! On February 12th, we'll be printing a special collection of Valentine messages. And because the International Herald Tribune is one of the most romantic names in publishing, it's a perfect place to say you care. Simply send us your message by Tuesday February 5th. Then we will send a greeting card to that special person, telling them to look for your message in the paper on February 12th. And we promise not to spoil the surprise by mentioning your name. But that's not all! We will also arrange, with the help of Interflora, for a beautiful bouquet to be sent to that same person with the message of your choice. The International Herald Tribune Valentine Special. It's a nice way to make someone smile.

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Lacroix a Hit Again On a Playful Note

By Bernadine Morris
New York Times Service

PARIS—Christian Lacroix has done it again. For the second successive season, he has opened the couture showings here with a bang. He is always high-spirited and his clothes are always merry. But because the season at hand is spring and summer, usually a light-hearted time for fashion, he has been inspired to new heights of gaiety.

Short, bouffant skirts are bouncy and playful. Small smug jackets are decorated with contrasting borders and appliqués. Buttons are shaped

"I love all the clothes—they are my babies," the designer said. "But I had just a month to work on them."

Since his first couture collection show in July 1987, he has produced an expensive group of ready-to-wear, which he traveled to the United States to introduce. He also has designed a more moderately priced ready-to-wear collection, to be made initially and shown in Paris in March. And he has designed costumes for an American Ballet Theatre production of "Gaieté Parisienne," which had its premiere last week in Tampa, Florida.

A film showing Lacroix at work on the costumes and highlights from his premiere Tuesday were the highlight of a party Lacroix gave after his showings at the Opéra-Comique. The party was to say thank you to "retailers, clients and all the fashion professionals who have helped us so much," according to Jean-Jacques Picart, Lacroix's business partner. It also marks the first anniversary of the signing of the financial agreement between Lacroix and Financière Agache, which made possible the establishment of the couture house.

PARIS FASHION

like seashells or sea animals. Dresses are laced at the back, swimsuits are shaped like miniature evening dresses and trousers have high waistbands and loose legs.

With three showings Sunday afternoon, he clearly dominated the first day of showings.

There was plenty of contrast, from the short daytime skirts to full skirts covered with draped satin aprons, suitable for Marie Antoinette. The prominence of pants was a note for this designer. Colors were always stringent. Turquoise, orange, minerva, yellow and hot pink are handled as easily as if they were black or navy blue.

"It's so exciting to see how the puts things together," said Susan Gutfreund, one of the American couture fans at the first show. "He makes fashion so much fun."

Ivana Trump attended the second show with a group of friends she flew over in her private plane. Neal J. Fox, the chairman of Garfinkel's, the store based in Washington, organized a trip for a dozen customers to attend the couture shows, including Lacroix's.

Lacroix, 37, who was trained as an art historian and is a native of Arles, has not only established himself as a fashion leader in just two collections under his own name—before that he designed for the house of Patou—but he also helped revive interest in the other couture houses. Before the showings end on Thursday, 20 other houses will have shown their collections.

The ethnic themes derived from the south of France continue to dominate Lacroix's clothes, transmitted in his own way, so there are provincial prints, lace and organza shawl collars, tassels and appliqué. His basic style hasn't changed, but it still looks refreshing. Satin ribbons are tied around the ankles. Handbags are shaped like straw baskets and hats are shaped like shells or sombreros.



Christian Lacroix's one-piece laced bustier and shorts in satin.

ISRAEL: Minister Denies Beatings Are Army Policy

(Continued from Page 1)

United States. The leading story was that the cabinet secretary, Eliahu Rubinfeld, was being sent to America to explain Israeli policy.

The broadcast reported that the Israeli ambassador in Washington, Moshe Arad, said the public-opinion drama was heavy and had hurt Israel's image of being an enlightened country.

Sunday's edition of the Hebrew newspaper, Ha'aretz, carried a dispatch from Washington on the reaction, with a headline in English: "The Week of the Sticks."

"Every day the State Department and White House in Washington get hundreds of phone calls and letters from American citizens," the newspaper said.

"According to a source, 95 percent are hostile to Israel. Maybe a third never supported Israel, but what about the rest," the source said. Many calls come from Jewish citizens and people who declare their support for Israel first. It's not surprising, considering what they

see on TV and read in the papers," Ha'aretz said.

There has been little public discussion on the issue in Israel, however, partly because the army is a sacred institution.

Reports of the meeting Sunday of the often bitterly divided coalition cabinet, which went into secret session as the Defense Committee, indicated little difference of opinion on the substance of the policy, only the style.

Prime Minister Yitzhak Shamir of the hardline Likud bloc has publicly endorsed the policy of Mr. Rabin, who belongs to the nominally more dovish Labor Party.

The Jerusalem Post, in an analysis Sunday, said Labor Party members were less upset at Mr. Rabin's policy than at his bluntness in the announcement of it.

The question of image is dominating Israeli political discourse, with constant references by leading figures not so much to events themselves but to the events being played out before foreign television cameras.

West Bank Editor Held

Israeli authorities ordered a West Bank editor detained without trial Sunday and imposed a travel ban on another editor two days before he was to visit Washington. Agence France-Presse reported Sunday from Jerusalem.

Salah Zubeidah, 35, editor of Al Shabab, a publication that supports the Palestine Liberation Organization, was placed under administrative arrest after having been detained two weeks earlier, Palestinian sources said.

Under administrative arrest, which is renewable, a person can be detained for six months without trial.

Hana Siniora, editor of the East Jerusalem newspaper Al Fajr, said he had received a letter from Mr. Shamir's office telling him he was banned from traveling abroad for three months.

Mr. Siniora, whose paper is also sympathetic to the PLO, was to have left Tuesday for a conference in Washington of Christian, Moslem and Jewish leaders.

TREATY: Rivalries and Election Politics Will Mark Senate Debate

(Continued from Page 1)

floor debate as Senator Sam Nunn, Democrat of Georgia, who heads the Armed Services Committee, vied to capture some of the limelight from Senator Claiborne Pell, Democrat of Rhode Island and chairman of the Senate Foreign Relations Committee. His panel has primary jurisdiction over the treaty.

"You have 100 prima donnas here, and each one is sovereign," a Senate aide said.

The Senate Select Committee on Intelligence will hold separate, closed hearings on the verification provisions of the treaty, and several ad hoc Senate arms control groups have also served notice that they intend to help advise and coordinate work on the treaty.

Senator Jesse Helms of North Carolina, the ranking Republican on the Foreign Relations Committee, said that he had evidence of Soviet cheating on the treaty and said he had asked the Central Intelligence Agency to judge the accuracy of his data before the hearings began.

Mr. Dole, who after weeks of public hand-wringing decided he would work to pass the treaty, asked Mr. Pell this month if he could be the lead-off witness at the Foreign Relations Committee

hearing Monday. The hearings will take place two weeks before crucial Iowa presidential caucuses, where the treaty has become an issue among the Republican candidates.

Preliminary battle lines have been drawn around three major issues:

- What impact will the removal of missiles contemplated by the treaty have on the balance of conventional armed forces in Europe, where the Warsaw Pact nations are generally conceded to have an advantage?
- Are verification and noncom-

pliance procedures adequate to protect U.S. interests?

Should approval of the accord be linked to assuring Soviet compliance with previous arms agreements.

A number of senators, among them Mr. Nunn, would like to link approval or final implementation of the intermediate-forces treaty in some fashion to improvement in NATO's conventional force capability. Mr. Nunn has suggested advising the Soviet Union that the United States intends to assess the conventional force balance in

NATO a year or two after the treaty goes into effect.

If that balance has not improved, Mr. Nunn suggests that the United States reserve the option to pull out of the agreement and cease the last phased withdrawal of American missiles.

Aides on the Foreign Relations Committee said it is rare for the Senate to make amendments to the text of the treaty itself, a process that would require Soviet approval. But Senate parliamentarians rules and procedure offer wide latitude for maneuvering, and treaty opponents have already warned that they intend to use every tactic at their disposal to block or delay the treaty's passage.

So far only a handful of senators—Mr. Helms; Steven D. Syme, Republican of South Dakota; and Richard C. Shelby, Democrat of Alabama—have indicated they are likely to oppose the pact. Mr. Helms, one of the Senate's most skilled parliamentarians, said last week that the treaty "will absolutely have to be amended to correct significant defects and loopholes."

Until that statement, Mr. Helms had been playing a behind-the-scenes role, allowing Representative Jack F. Kemp, the conservative New York Republican who is seeking his party's 1988 presidential nomination, to wage the public battle against the treaty, though he will have no vote because he is in the House of Representatives. Mr. Kemp has said that the United States capitulated to Soviet demands in the rush to get the treaty ready for the December summit meeting.

As a conservative strategist said: "Our game is delay, No. 1 and No. 2, keep the treaty from coming to the floor for a vote. Disrupt congressional activity by going to the press through every jot of the rules, examine the text with a fine-tooth comb, muster every argument in effect filibuster by procedure."

Mr. Nunn, who has been leading the administration over its interpretation of the 1972 Anti-Ballistic Missile Treaty as well as a new policy on how treaties in general are to be interpreted, has demanded access to the negotiating record.

"We are compelled to look at both the treaty and the negotiating record because the executive branch has told us, one, that we can't take their word about what a treaty says, and two, that if we think something is important or unclear in a treaty, we have to flag it," he said.

Such a process could drag out the timetable for approval.

EUROPE: U.S. Sets Arms Plan

(Continued from Page 1)

intelligence experts, believe they have identified a few weak links in the Soviet armed forces that would be relatively cheap to exploit and would cause major problems for the other side.

As an example, an expert cited the potential of an unmanned drone called Tacit Rainbow, produced by the Northrop Corp., that flies over enemy territory for hours then zooms down to destroy enemy radars as soon as they are turned on.

The United States will deploy a space-based missile defense system when the equipment and weapons are ready. Mr. Reagan is asking Congress for money to continue research on the system.

Congress should provide \$2.5 billion for a program to combat acid rain, which is caused by emissions of sulfur dioxide and nitrogen oxides. Federal agencies will encourage development of technology to reduce such emissions.

The administration will begin a major effort to sell public housing and other subsidized housing to low-income families who live in such buildings.

The federal government will strongly support private efforts to build and operate a small space station, as both a laboratory for scientific experiments and a factory for use by private industry. The government would lease part of the commercial space station, which could be orbiting the Earth in the early 1990s, at least five years before a more ambitious project designed by the government.

Congress should establish a permanent tax credit for businesses that increase their spending on research and experimentation. Mr. Reagan also wants to establish "Thomas A. Edison prizes" for people who devise innovative uses of technology to improve the quality of life.

The administration will look for new ways to address the child-care needs of working parents. The secretary of labor, Ann Dore McLaughlin, will work with state and local agencies and private employers to meet these needs, consistent with the president's effort to strengthen the family as an institution.

In his message, Mr. Reagan also warns Congress against efforts to lift restrictions on political activities by federal employees. In November, the House of Representatives adopted a bill to relax some of those restrictions, originally imposed by the Hatch Act in 1939. The Senate is considering the bill.

Mr. Reagan will also call on Congress to repeal part of a new law that, in effect, requires Rupert Murdoch to sell media properties in New York and Boston. The White House official said Mr. Reagan would assent that provision of the law as a severe blow to First Amendment rights and a "last-minute appendage" to a catch-all spending bill adopted by Congress on Dec. 21.

The law prevents the Federal Communications Commission from loosening rules that prohibit anyone from owning a daily newspaper and a television station in the same city. Mr. Reagan's message says the law would inhibit the free market of ideas and could actually force the closing of a newspaper, though he does not mention Mr. Murdoch or The New York Post by name.

TAX: Reagan to Propose Cut in Levy on Capital Gains

(Continued from Page 1)

not be given a preference over income earned through hard work.

An aide to Mr. Reagan said, "The president's supporters who want him to remain in an aggressive posture in his last year in office will be quite pleased" with the legislative agenda he sets forth Monday.

In his weekly radio address Saturday, Mr. Reagan said he would again urge Congress to endorse a constitutional amendment requiring a balanced budget. He will also repeat his plea for Congress to give him the power to kill selected items in spending bills. And he said he "may have a surprise," a way for Congress to show it is serious about "putting the government's house in order." But he did not elaborate.

White House officials said Mr. Reagan would also make these points in his legislative message:

- Congress should provide money for a major expansion of federal prisons, which are seriously overcrowded. Federal prisons have nearly 44,000 inmates, or about 60 percent more than they were designed to hold.
- The U.S. Sentencing Commission, an independent federal agency, should adopt procedures that would permit federal judges to impose the death penalty for certain crimes. The Supreme Court has held that the penalty is unconstitutional when it is imposed in a random, capricious, unpredictable manner.

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AFGHAN: Neutrality on Austrian Model Is Discussed

(Continued from Page 1)

the mission of Diego Cordovez, the UN mediator who is on a visit to Pakistan and Afghanistan. The Russians have said they anticipate the next round of talks in Geneva, which began five years ago, will be the last before a withdrawal begins. No dates for renewed talks have been proposed by either side so far, according to U.S. sources.

Officials in the State Department expressed hope that the Russians would soon inform Pakistan, and perhaps the United States, of withdrawal details.

The basic question in Washington is whether the Soviet Union will establish credible terms for a military withdrawal and actually go through with it. Some U.S. officials are highly skeptical, considering most of the Soviet talk about withdrawal to be a sham aimed at neutralizing the issue and ending U.S. and Pakistani support for the Afghan resistance.

Others see a variety of signs that the Kremlin has no viable alternatives and say that increasingly strong Soviet declarations suggest that a withdrawal is coming.

One of the most politically contentious issues in Washington and Moscow concerns U.S. aid to the

Afghan rebels. One of four "instruments" previously negotiated in the Geneva talks calls for all outside "interference" to end within 60 days after peace accords come into force.

The United States agreed in December 1985 to act as a "guarantor" of any peace accord, along with the Soviet Union. The United Nations was told at the time that Washington would play such a role "once the elements of an acceptable agreement had been negotiated," said a U.S. official.

This language was cited to make the point that any U.S. guarantee of an Afghan accord is conditioned on Washington's acceptance of the details of the accord. The details of a Soviet withdrawal, including its starting and ending dates and a schedule for the pullout of units, have not been established.

Also yet to be pinned down is whether the Soviet Union would be permitted to continue providing arms and advisers to a post-withdrawal Afghan government and the degree to which the great powers would aid the reconstruction of Afghanistan.

The timing of a cutoff of U.S. military aid to the Afghan resistance has also stirred controversy.

Secretary of State George P. Shultz said Jan. 7 that the United States must be persuaded that there is "no turning back" on a Soviet withdrawal before cutting off the aid, suggesting that such an action might come later than 60 days after the accords enter into force.

Another question mark is the nature of the interim government that would rule Afghanistan during and immediately after the withdrawal.

The U.S. has backed an interim government not dominated by the Communists. Recently officials have seemed more reticent to express U.S. views on this point, saying the Afghan political future is up to the Afghans themselves.

Soviet Life Expectancy Rises

The Associated Press
MOSCOW—The population of the Soviet Union rose to 284.5 million at the start of 1988, and the average Russian can now expect to live 69.6 years, Tass said Saturday. In May, the magazine Ogonyok reported that "toward the end of the 1970s" the average life expectancy of men "fell to 62 years." It said the downward trend was halted and then reversed in the early 1980s.

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(Continued from Back Page)

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FROM 1875... EUROPE

Dollar's Stability Factor to Beat

PARIS

B WEEK'S

Business week's... market...

HAITI: Manigat Wins

(Continued from Page 1)

Manigat wins... Haiti...

FROM 1875...
REW
MONDAY, JANUARY 25, 1988

EUROBONDS

Dollar's Stability Helps Sector to Beat the Blues

By CARL GEWIRTZ
International Herald Tribune

PARIS — The dollar sector of the Eurobond market snapped out of the doldrums last week with \$1.95 billion of straight bonds and \$1.04 billion of equity-linked issues offered for sale. The volume of straight bonds was significant. Not so the equity-linked paper, which reflects a renewed interest to acquire options to purchase Japanese stocks.

The nibbling for straight bonds has been evident since the start of the month, begun by private investors in Switzerland laden with dollars received from interest and principal repayments. At present exchange rates, investors had no desire to sell the dollar income for other currencies and were content to reinvest the funds.

By last week, the nibbling had broadened. With the dollar apparently stabilized on the foreign exchange market, European institutional investors also began returning to the market. In addition, bankers report increased demand from the Middle East and Japan.

Most experts expect the U.S. trade figures for December, January and February will be soft. Although the U.S. trade representative, Clayton K. Yeutter, caused the currency market some upset by his comments that the deficit would not shrink much until later in the year, this is in line with the forecast from the Organization for Economic Cooperation and Development.

It estimated an average monthly deficit of \$12 billion in the first six months of this year, falling to an average of just over \$10 billion by the second half.

Further aiding the dollar bond market was last week's report of a plunge in U.S. housing starts and a tiny 0.1 percent rise in the consumer price index for December.

The trade and other economic data are interpreted to mean that dollar interest rates are in no immediate danger of rising and are likely to continue falling. This view was further enhanced by a comment from a Federal Reserve Board governor, Martha R. Seger, who said the U.S. economy would go through a cycle of slow growth during the first two quarters and may even lose ground.

BY WEEK'S end, the rally in U.S. bond prices left U.S. interest rates at lows not seen since late July. Equally important, the decline in U.S. rates looks as if it will be matched abroad. The Dutch cut their key interest rates by a quarter point, the fifth reduction in three months and setting rates at a low not seen since 1959.

At the same time, the Bundesbank announced that it would target money supply growth using a different measure, M-3, instead of the central bank money stock. This "should allow a more flexible stance on interest rates," said Credit Suisse First Boston in its weekly market telex. "Adoption of an M-3 target should mean that money growth relative to target ceases to create a bias in favor of monetary tightening. M-3 is the broadest measure of money supply and includes large time deposits.

In Japan, banks were expected to lower their long-term prime rate, confirming a softening of rates there.

A shift downward of interest rates in major markets would help the dollar, as the difference between dollar and other rates should remain unchanged.

For non-U.S. investors looking at dollar investments this is an ideal scenario. It means that even if the dollar should decline a bit in the foreign exchange market, the likely capital gains to be earned on bonds, whose price appreciates as interest rates fall, will cover the currency risk. And if the currency holds stable, the higher interest earned on dollar investments plus the capital gains on appreciating bonds could be very profitable.

At present, bankers report, institutional investors are underweight in dollar holdings and thus have plenty of buying room. Given the low risk in holding dollar bonds, investors are willing to rebuild their holdings, especially as there is some suspicion that the current range could well represent the low for the dollar.

So far, however, purchasing of dollar bonds is being financed with dollar income and not the result of investors selling yen, Deutsche marks or sterling to buy dollars.

Data published by Orion Royal Bank indicates that interest and principal repayments on Eurobonds will total \$4.4 billion this month, \$6.9 billion next month and \$8.2 billion in March. About two-thirds of these payments are in U.S. dollars.

Further liquidity will be provided by the premature retirement of high-coupon dollar bonds that become callable this year.

Put all this together, bankers say, and first-quarter activity in the Eurobond market should be substantial.

More importantly for banks underwriting the paper, the new issues were also profitable. The new paper did trade at discounts from the offering price but still well within total fees paid to underwriters.

This reflects underwriters' unwillingness to get caught holding See EUROBONDS, Page 9

Générale Shake-Up Pledged

De Benedetti Says Firm Is 'Feudal,' Criticizes Board

By Kurt Ruderman
Special to the Herald Tribune

BRUSSELS — The Italian financier Carlo de Benedetti has pledged to shake up Belgium's biggest company, Société Générale de Belgique, if his hostile bid for effective control proves successful.

Mr. de Benedetti, 53, whose aggressive drive for a decisive stake in Société Générale has rocked Belgium's financial world, said in a television interview broadcast on Sunday: "I am not a predator. I am an investor and a builder."

But he said, "There is certainly a major process of modernization and rationalization that must be carried out and which we are going to carry out." On the 166-year-old company, which has interests in 1,358 enterprises around the world.

In sharp criticism of its current management, he said: "I would define its growth as miserable, its profitability as modest" and its decision-making as "feudal."

Mr. de Benedetti, who transformed the Italian typewriter company Olivetti SpA into a giant maker of automated office equipment, said last week that he owned 18.6 percent of Générale, as it is known, and aimed to raise his stake further.

He said "very prestigious" international investors supported his aim to create a pan-European holding company out of Générale and he would give them a repy soon.

Belgium's banking commission has yet to agree to Mr. de Benedetti's bid.

In a hourlong interview on Belgian television, Mr. de Benedetti said, "I tell you clearly and frankly I intend to make La Générale the premier holding in Europe."

He indicated that he had been stung by remarks last week by René Lamy, 64, chairman of Générale, who accused him of trying to turn Belgium into a colony.

Asked whether an earlier offer still stood for Mr. Lamy to become president of the company under Mr. de Benedetti's control, he said: "Absolutely not. I think frankly he has gone too far. We are at a moment when the future is confronted by the past."

Meanwhile, Mr. de Benedetti's French holding company Compagnie Européenne Réunies, or CER, through which Générale shares were bought, said that it would make a further court challenge to a move by Société Générale to defend itself by issuing 12 million new shares and thus dilute Mr. de Benedetti's stake.

Générale said that the new shares, which had been put in the hands of a subsidiary, Socoderm, reduced Mr. de Benedetti's holding to 11.22 percent. (Reuters, AFP)

Diet Foods: Cooking Up Challenges to la Cuisine

Sugar Substitutes Not Medicine Now

By Kurt Ruderman
Special to the Herald Tribune

PARIS — When the government recently lifted the 85-year-old law that banned the use of sugar substitutes in prepared foods, many of the giant international food companies sat up and took notice.

France, a nation in which the regard for la cuisine is nearly a religion, seems ready for diet foods.

Two soft-drink makers, Coca-Cola and Orangina, see the government's decision as almost revolutionary and are set to market artificially sweetened sodas. A full page ad in the newspaper Le Monde heralds the coming of "Coca-Cola Light" in the form of a proclamation super-imposed over a photograph of the French Parliament in session.

For Arnold de Beco, director general of A. Arnould SA, the distributor of NutraSweet, a brand name for the sugar substitute aspartame, the future is looking particularly rosy. Aspartame-based products, until now restricted in France to being sold in pharmacies as a medicine, will soon be on supermarket shelves.

"Once they are sold in supermarkets, the medicinal image will disappear," Mr. de Beco said. "Other French producers of soft drinks as well as dairy-product producers, will soon follow the example of Orangina and Coca-Cola."

Aspartame's move from the pharmacy to the supermarket, and the repeal of the 1902 law banning sugar substitutes, was the result of a legal battle that pitted a supermarket chain, Centre Distributeur E. Leclerc, which wanted to sell the substitutes, against the pharmacies.

The Paris Court of Appeals ruled last December that since artificial sweeteners were not considered a medicine in other EC countries, the French law restricting their sale created a monopoly and, hence, a trade restriction that violated Article 30 of the Treaty of Rome.

Now Leclerc is expanding its horizons, with "soft drinks and dairy products high on our list," according to Michel-Edouard Leclerc, co-president of his father's company. Leclerc has negotiated a contract with an English company to produce a brand of sugar-substituted products called Sucrinol, which will include artificially sweetened fruit drinks and jams.

However, France's sugar industry has little to fear so far.

"The French are aware of the problems caused by excessive consumption of sugar, but there is no organized consumer movement against it yet," said Claude Fischer, a sociologist at the National Center for Scientific Research in Paris, and a researcher in food and eating habits.

That may explain why artificially sweetened chewing gum has not made a big impact in France. General Foods France, maker of Hollywood chewing gum, brought out a sugarless gum in September 1986. Jean-Pierre Plazonich, the company's marketing director, said sales were "average."

"People are really not worried about the quantity of sugar in regular chewing gum, which is extremely small compared to pastry or wine," he added.



Orangina, with the overturning of an 85-year-old law banning the use of sugar substitutes in prepared foods, is just one of many companies that are set to storm the French market.

Still, Mr. Fischer said, low-calorie and artificially sweetened foods have a future in France. "French eating habits are changing and are following the pattern in most Western countries, where meals are becoming less structured and are no longer eaten at specific times of the day," he said.

He added that in affluent Western countries, 25 percent of the population is on a diet of some kind.

Before the health-food boom reached France, in the 1980s, products in this line were limited to low-fat dairy products from big companies such as Gervais-Danone. It launched its Taillefine line in 1964 with a low-fat version of farmer's cheese, marketed a fat-free yogurt in 1972, then expanded to fruit-flavored, fat-free yogurt, all containing sugar.

"While customers sought to reduce their fat intake, they still wanted something tasty," said a company spokesman. Legalizing supermarket sales "of aspartame will permit us to reach our goal of a near-zero calorie product."

In 1985, the frozen food company France Glaces Findus SA began making a low-calorie line, Cuisine Légère, with great success.

"The product would not have caught on 10 years earlier," said a Findus marketing executive. "The 300-calorie nouvelle cuisine-type dinners, which are relatively high-priced, have attracted an urban clientele: young, white-collar, health-conscious and athletic."

The fashionable Hédar SA food chain's products director, Jean- See DIET, Page 11

Kodak's Bid Seen As Costly

Analysts Expect Big Borrowing in Sterling Takeover

By Kurt Ruderman
Special to the Herald Tribune

NEW YORK — Analysts say Eastman Kodak Co. will have to borrow heavily to finance its \$5.1 billion bid that rescued Sterling Drug Inc. from a hostile offer from F. Hoffmann-La Roche & Co.

Not long after Sterling accepted Kodak on Friday, Hoffmann-La Roche dropped its bid of \$4.6 billion, or \$81 a share, saying it had offered what it viewed as a fair price.

Kodak agreed to pay \$89.50 per share, taking some analysts by surprise. "They're going to have to do a beak of a lot of borrowing," said Peter Enderlin, an analyst with Smith Barney Inc.

Kodak said it expected the acquisition to dilute earnings by 15 cents to 25 cents a share for up to four years. Kodak, which is based in Rochester, New York, earned \$2.77 a share for the first nine months of 1987. Earnings for all of 1987 will be reported on Feb. 3.

One analyst, who asked not to be identified, said his preliminary calculation of the earnings impact was not as positive as the company's estimate.

Kodak closed Friday on the New York Stock Exchange at \$49.125, up 12.5 cents. News of the merger, came after the market closed, the brokerage firm Jefferies & Co. said that in after hours trading it set a market price of \$44 to \$46.

Jefferies said it was making a market in Sterling shares at a bid of \$89. Sterling's shares had closed at \$78.375, down 50 cents, on the New York Stock Exchange.

Analysts said they were not surprised that Kodak, the world's biggest maker of photographic products, made an acquisition in the drug industry. The company has entered biotechnology joint ventures and also markets diagnostic equipment. Kodak has been involved in pharmaceutical research since 1984.

"Long term, they've had to own a drug company, and they indicated publicly they wanted to do that," said Eugene Glazer, an analyst with Dean Witter Reynolds Inc.

Analysts said the merger price was a surprise, at \$400 million above Hoffmann-La Roche's last offer.

"They wanted to do it, and they did it," said Eugene Glazer. "Mr. Enderlin said of Kodak."

La Roche, which is based in Basel, Switzerland, originally bid \$72 a share for Sterling on Jan. 4, then raised its offer to \$76 and then \$81. Sterling had called La Roche's bid "grossly inadequate," and indicated it was seeking a friendly suitor.

Seoul Reportedly to Offer U.S. New Concessions

By Kurt Ruderman
Special to the Herald Tribune

SEOUL — South Korea reportedly will offer a revised package of trade concessions to the United States after Washington's rejection last week of previous proposals.

The new package, covering the sensitive issues of U.S. beef imports, cigarettes and joint insurance ventures, will be presented in Washington by the end of January, the state-owned radio, Korean Broadcasting System, said Saturday.

South Korean government officials declined to comment on the report, which said that the Office of the U.S. Trade Representative, in Washington, had notified Seoul on Friday that it was dissatisfied with the latest proposals.

Local press reports said that the United States had rejected South Korea's offer to allow imported beef to be sold to tourists and luxury hotels and had insisted that sales be permitted to ordinary restaurants as well.

Washington reportedly demanded, too, that Seoul immediately cut the retail price of U.S. cigarettes from 1.30 yen (\$1.67) to 700 yen a pack by reducing surcharges or taxes.

Seoul had proposed lowering the retail price set by its tobacco monopoly to about 825 yen a pack in February, followed by a further cut once permanent laws were revised, sources said.

Washington was also said to have expressed "limited satisfaction" over South Korea's proposal to loosen restrictions on joint ventures in the insurance business.

Seoul had sought to prohibit South Korea's top 30 insurance companies from forming joint ventures with U.S. companies, to prevent the resulting giants from monopolizing the industry.

The new proposal will reduce the number of proscribed underwriters to 15, press reports here said.

Beef, cigarettes and insurance have become hot issues in Seoul because of protests by the cattle and tobacco growers and insurance industry employees, who contend that the U.S. demands threaten their livelihoods.

Livestock producers have been the most outspoken, mounting protests that, in the past two weeks, have included smashing windows in government offices.

But analysts say that the overall impact of these items on the balance of U.S.-Korean trade is small and that it now appears that Seoul will yield to Washington's demands rather than risk retaliation by its most important market.

Press reports here, which had focused on the purported unreasonableness of the U.S. demands, have begun to note that the amount of dollars involved is small in comparison with the overall trade picture.

Yonhap news agency said Saturday that if South Korea were to accept all of Washington's demands, South Korea's trade surplus would be reduced by less than \$300 million.

According to government statistics, South Korea ran up a \$9.2-billion surplus with the United States in 1987.

The Economic Daily in Seoul reported that Washington was preparing to invoke U.S. trade laws to impose retaliatory tariffs on South Korean goods because of surcharges on U.S. cigarettes.

The newspaper also said that the Korean Embassy in Washington had informed the Seoul government that the United States had decided to bring the beef dispute before the General Agreement on Tariffs and Trade.

Officials could not be reached for comment on the report.

Foreigners Again Become Net Buyers of Tokyo Stocks

By Kurt Ruderman
Special to the Herald Tribune

TOKYO — Foreign investors have been net buyers on the Tokyo Stock Exchange for four consecutive weeks, ending months of net selling.

In the first week of January, the fourth of those weeks, investors from overseas bought shares valued at 117.3 billion yen (about \$920 million), the second highest weekly total on record. The highest was 149.9 billion yen in March 1986.

The monthlong buying spree came after about 20 consecutive weeks in which overseas investors were net sellers, especially after the worldwide market collapse in October. Foreigners accounted for 22 percent of net selling for October and November.

Tokyo analysts attributed the recent buying to a number of factors.

On Jan. 6, the government said it would postpone for one year new accounting rules on investment funds called tokkin. These funds, which offer reduced exposure to capital gains tax and have therefore been popular among Japanese companies and financial institutions, have greatly influenced the market in the past few years.

The new rules would have required that tokkin funds value their shares at either the market price or the acquisition price, whichever was lower. That led to fears that the funds would sell shares in order to realize gains before the new rules went into effect on April 1, the beginning of the new fiscal year. Investors feared that this, in turn, would lead to a steady decline in stock prices.

The decision to delay the new rules relieved pressure on tokkin funds to sell their shares. While the funds do not directly affect foreign investors, prospects for the Tokyo market improved, and that may have encouraged foreign buying, according to Richard P. Mattione, a vice president for Morgan Guaranty Trust's international economics department in Tokyo.

"It let the Japanese remain in the market," he said, "and all other things being the same, the more people in the market, the more prices are likely to rise."

Investors were also encouraged, analysts said, by the sharp rise of the dollar during the first week of the new year. With news reports that the Group of Seven major industrialized nations had reached a secret agreement to try to keep the dollar between 125 yen and 150 yen, the dollar surged from around 121 yen to 129.5 yen on the Tokyo foreign exchange market during the week beginning Jan. 4.

Both Japanese and foreign investors were reassured by central bank intervention, and the Nikkei index of 225 selected stocks finished the week at 22,872.56 yen.

Analysts in Tokyo said overseas investors needed to get back into the Tokyo market. If the Tokyo market goes up relative to other markets and foreign investors are not there, Mr. Mattione said, their overall portfolios look bad. Japan accounts for about 40 percent of world stock market capitalization.

While foreigners have often said the Tokyo market's price/earnings ratios are too high, analysts here said this has changed somewhat since October. "The P/E ratio has improved," Mr. Mattione said. He said, however, that while Japan's market has fallen from its peak by about 14 percent, other markets have fallen even further. The U.S. market is about 30 percent below its peak.

Even though overseas investors appear to be re-entering the Japanese market, analysts here do not believe foreign investors will cause a wave of buying or selling in Tokyo. "Foreign investors make up about 3 percent of the market," said Mr. Mattione. "That's not very much, unless they all move at once."

Retin-A at Least Makes Johnson Look Healthier

By Kurt Ruderman
Special to the Herald Tribune

NEW YORK — Whether it will turn out to be a true remedy for aging skin or merely another snake oil cure, Johnson & Johnson's Retin-A anti-aging cream could be the 101-year-old company's long sought fountain of youth, analysts say.

Even though it has yet to demonstrate, through large-scale studies, that the cream can reverse some of the effects of skin aging and sun damage, millions are expected to race to their doctors to get it.

"Sales of Retin-A are already jumping because of rumors it might remove wrinkles, so what do you think will happen now?" asked Larry Feinberg, an analyst with Drexel Burnham Lambert.

He was referring to a study published Friday in the Journal of the American Medical Association that showed, the prestigious journal said in an editorial, that, "for the first time, there is good sound scientific work demonstrating the reversibility of the aging process in skin."

The price of Johnson & Johnson's shares, traded on the New York Stock Exchange, jumped \$5.125 Friday to close at \$79.875, the fourth most traded issue of the day. On Thursday, the stock had gained \$3 on news of the report's impending release.

Since word of the study started to spread, Johnson's market value has risen by more than \$1 billion.

Medical experts caution that the report was based on a small number of subjects and did not include a follow-up study. There were no indications, the researchers said, that benefits are permanent, with or without continued use of the cream.

Retin-A, which contains a derivative of vitamin A, has been available as a prescription anti-aging medication since 1971. It is marketed by Ortho Pharmaceutical Corp., a division of Johnson & Johnson's.

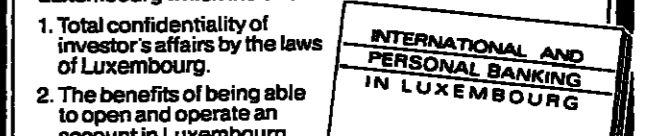
Last year sales of the cream jumped 50 percent, to about \$50 million analysts estimate. They also estimate that sales could reach

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Currency Rates

Cross Rates	Jan. 22	Jan. 21
Amsterdam 1.0745	1.0735	1.0720
Frankfurt 34.9775	34.9725	34.9680
London 1.7290	1.7280	1.7265
Paris 166.50	166.40	166.30
Milan 1.20740	1.20640	1.20540
New York (2)	5.63	5.62
Tokyo 167.25	167.15	167.05
Zurich 1.5245	1.5235	1.5225
1 Franc	1.2544	1.2534
1 Swiss Fr.	1.2504	1.2494

Other Dollar Values	Jan. 22	Jan. 21
Canada 1.0700	1.0690	1.0680
Denmark 1.4835	1.4825	1.4815
Germany 2.2360	2.2350	2.2340
Italy 1.3660	1.3650	1.3640
Spain 166.50	166.40	166.30
Switzerland 1.2544	1.2534	1.2524
U.K. 1.7290	1.7280	1.7270

Forward Rates	30-day	60-day	90-day
Canada 1.0700	1.0690	1.0680	
Denmark 1.4835	1.4825	1.4815	
Germany 2.2360	2.2350	2.2340	
Italy 1.3660	1.3650	1.3640	
Spain 166.50	166.40	166.30	
Switzerland 1.2544	1.2534	1.2524	
U.K. 1.7290	1.7280	1.7270	

Last Week's Markets
All figures are as of close of trading Friday

Stock Indexes	Jan. 22	Jan. 21	Chg%
DJ Indx	1261.51	1254.07	+2.69
Nikkei 225	22,872.56	22,808.00	+2.16
S & P 500	244.50	242.37	+2.14
Nyse Comp	138.49	138.10	+2.75

Money Rates	Jan. 22	Jan. 21
Discount rate	6%	6%
Federal funds rate	6 1/4%	6 1/4%
Prime rate	8 3/4%	8 3/4%
3-month T-bill	7 3/4%	7 3/4%
3-month Eurobond	7 3/4%	7 3/4%
Bank base rate	9%	9%
Call money	8%	8%
3-month interbank	9%	9%

World	Jan. 22	Jan. 21	Chg%
MSCI P	401.00	401.00	+0.89
World Indx	468.20	468.20	+0.85

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01 323 11 30
Prices may vary according to market conditions and other factors.

Dollar Straights

Table listing bond prices for various countries including Australia, Canada, France, Germany, Italy, Japan, and the UK. Columns include Issuer, Con, Mat, Price, and Yld.

United Kingdom

Table listing bond prices for the United Kingdom, including issues from Barclays, British Telecom, and GEC.

United States

Table listing bond prices for the United States, including issues from A&T, American Express, and Citicorp.

Supranational

Table listing supranational bond prices, including issues from the Council of Europe and the World Bank.

Western Europe (Other)

Table listing bond prices for other Western European countries, including Austria, Belgium, and Denmark.

Dollar Zero Coupons

Table listing zero-coupon bond prices for various countries, including Australia, Canada, and the UK.

DM Straights

Table listing bond prices in Deutsche Marks (DM) for various countries, including Austria, Belgium, and Denmark.

DM Zero Coupons

Table listing zero-coupon bond prices in Deutsche Marks (DM) for various countries, including Austria, Belgium, and Denmark.

Mutual Funds

Table listing mutual fund performance data, including fund names, assets, and returns.

Yen Straights

Table listing bond prices in Japanese Yen for various countries, including Australia, Canada, and the UK.

ECU Straights

Table listing bond prices in European Currency Units (ECU) for various countries, including Austria, Belgium, and Denmark.

Euromarkets At a Glance

Table providing a snapshot of Euromarket activity, including interest rates and market movements.

Wall Street Review

Table reviewing Wall Street market performance, including NYSE and AMEX indices and trading volumes.

Weekly Sales

Table reporting weekly sales figures for various market segments, including NYSE and AMEX.

Libor Rates

Table listing London Interbank Offered Rates (Libor) for various currencies and maturities.

Non-European

Table listing bond prices for non-European countries, including Argentina, Brazil, and Mexico.

WestLB

Advertisement for WestLB (Westdeutsche Landesbank) featuring the slogan 'Fixed Income and Equities Trading - for dealing prices call:' and contact information for various global offices.

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New International Bond Issues

Compiled by Lawrence Desvillettes

Table of bond issues with columns for Issuer, Amount (millions), Mat., Coup. %, Price and week, Terms. Includes Floating Rate Notes and Fixed-Coupon sections.

Montgomery Ward Deal Increases GE-Kidder Estrangement

By James Sterngold, New York Times Service

NEW YORK — Nothing irritates investment bankers more than losing the huge fees they can earn for arranging major corporate deals...

According to several Kidder sources, the strains at the firm reflect the collision between GE's tightly structured culture and Kidder's traditionally more free-wheeling atmosphere...

There are signs, too, that General Electric might not be entirely happy with Kidder. GE has discussed selling as little as 5 percent to as much as half of its stake in Kidder with a number of potential buyers...

but added that if GE had turned down a transaction, "There is a perfectly logical reason for that when all the facts are known..."

Market Boom Likely to Continue, but Charges May Not Rise

By Carl Gewirtz, International Herald Tribune

PARIS — The international credit market made a big comeback last year, with the volume of new loans up 45 percent to a total of \$92 billion...

With front-end fees of 3 1/2 basis points, Thailand would pay 15.75 basis points over Libor to fully draw the credit, down from the 27 1/2 basis points it paid on its previous facility...

The annual facility fee on the revolving credit starts at 4 basis points for the first two years, rises to 5 basis points for the next three years and settles at 6 basis points in the final two years...

Waiting in the wings is Air Inter, which will be seeking a facility of 1 billion francs. Although long rumored, Crédit Foncier has yet to decide when to come to the market...

In the Euro-commercial paper market, Avis Finance Co. named First Chicago, Morgan Grenfell, Samuel Montagu and Swiss Bank Corp. as dealers to market short-term paper denominated in dollars or sterling...

Prices of Fixed-Income Securities Up

By H.J. Maidenberg, New York Times Service

NEW YORK — Although many investors remained idle, awaiting the U.S. Treasury's announcement Wednesday of its February refinancing operations, the prices of fixed-income securities continued to rise...

ing, terms of which will be announced next Wednesday, as well as the decline of \$500 million in the amount of two-year notes to be sold...

While these positive factors may prove to be of a short-term nature, Mr. Chandross said, "the fact is the bond market today is a short-term affair. But, this aside, no one wants to fight the tape..."

BUSINESS SCHOOL LAUSANNE advertisement featuring M. Georges-André Cuendet and International Monetary Turmoil.

EUROBONDS: Dollar Sector Shrugs Off the Blues

(Continued from first finance page) unrelentingly aggressive priced paper. As a result, offering terms were widely regarded as fair to generous...

profile further demonstrated investors' comfort with the dollar. Equally, it reflected the outlook for reduced interest rates and the desire to capitalize on the higher income provided by longer dated paper...

Not to worry, says Takuma Amano of Yamaichi Securities in Tokyo. "Buying market share is last year's story," he says, alluding to the activity of Japanese underwriters that was aimed solely at pushing themselves up on the league table of most active underwriters...

Court Is Asked to Block San Miguel Meeting

MANILA — The Supreme Court has been asked to stop government-controlled San Miguel Corp., the Philippines' biggest manufacturing concern, from holding a board meeting on Jan. 28...

U.K. Blocks Bertelsmann

LONDON — The Monopolies and Mergers Commission blocked the planned acquisition by Bertelsmann AG of W.H. Smith Group's half share in Book Club Associates...

The Illuminators

There is a company on the NYSE which grew 87 percent last year, by showing business communities how to use computer products built around Intel and Motorola microprocessors...

THE SIAM FUND advertisement with details on participating shares, Siam Fund (Cayman) Limited, and contact information for W.I. Carr (Far East) Ltd.

Vertical text on the far right edge of the page, possibly a page number or other identifier.

SPORTS

Free Agency Is Restored for 7 Key Players

Haas Leads Tway and Azinger in Hope Golf

INDIAN WELLS, California (UPI) — Jay Haas sank a 50-foot (15.20-meter) wedge shot for eagle Saturday to fight off challenges by Bob Tway and Paul Azinger and take a one-stroke advantage entering Sunday's final round of the Bob Hope Classic golf tournament.

America's Cup Defenders Opt for Catamaran

SAN DIEGO (AP) — Sail America, forced into an early defense of the America's Cup, confirmed late Friday that it would defend late next summer in a catamaran against the monohull of New Zealander Michael Fay. It also said that it would do so in Long Beach, California, or Hawaii — not the home waters of San Diego Yacht Club, where the trophy now resides.

Los Angeles — Seven players...

LOS ANGELES — Seven players, including outfielder Kirk Gibson and catcher Carlton Fisk, were declared free agents late Friday by an arbitrator in baseball's 1985 free-agent collusion case.

North 21, South 7

MOBILE, Alabama (AP) — Washington's Chris Chandler and Don McPherson of Syracuse touch down passes to spark the North to a 21-7 victory over the South in Saturday's 39th Senior Bowl, the all-star game that marks the end of the college football season.

Amsterdam

Amsterdam stock prices scored a slight gain last week, after a jump of almost 10 points on Monday was whittled down during the rest of the week.

Frankfurt

West German stocks jumped by 5 percent last Monday, on news of the reduction of the U.S. monthly trade deficit, but operators took profits on the following days.

Hong Kong

Prices fluctuated on the Hong Kong stock market last week. The Hang Seng Index ended 7.39 points lower for the week at 2,422.38, while the broader based Hong Kong Index finished 3.7 points down at 1,583.67.

London

Shares were dull over most of the week on the London Stock Exchange, on renewed worries about the U.S. trade deficit and the dollar.

Milan

After gaining 3.3 percent Monday, in line with trends in other world exchanges, Milan stocks fell back the rest of the week for a total loss of 1.01 percent.

Paris

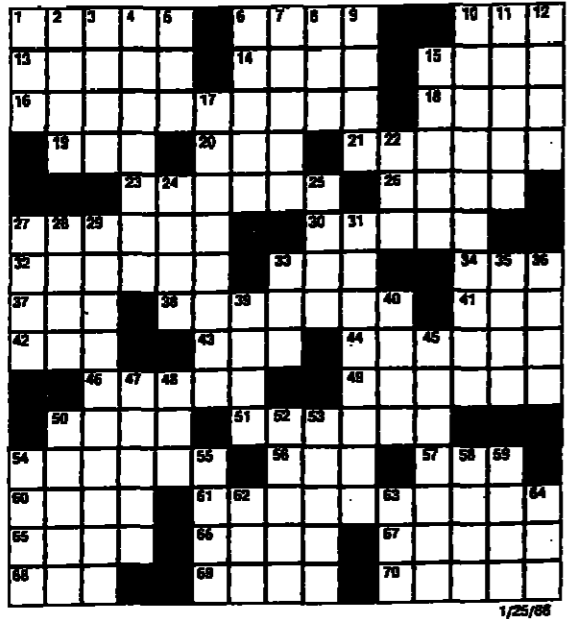
Paris stock prices declined last week to end-1985 levels, as many small stockholders bailed out on fears of losing even more money.

WORLD STOCKS IN REVIEW / Via Agence France-Presse

Neither Beniquez, who is pursuing arbitration with the Blue Jays, nor Brookens come close to star status. Brookens is signed for \$350,000 and Beniquez was offered \$344,000 in arbitration but wants \$450,000.



Kirk Gibson ... The prize of the class of 1985.



ACROSS
1 Hakey book
6 Ripens
10 Roscoe
13 Consent
14 Kipping's...

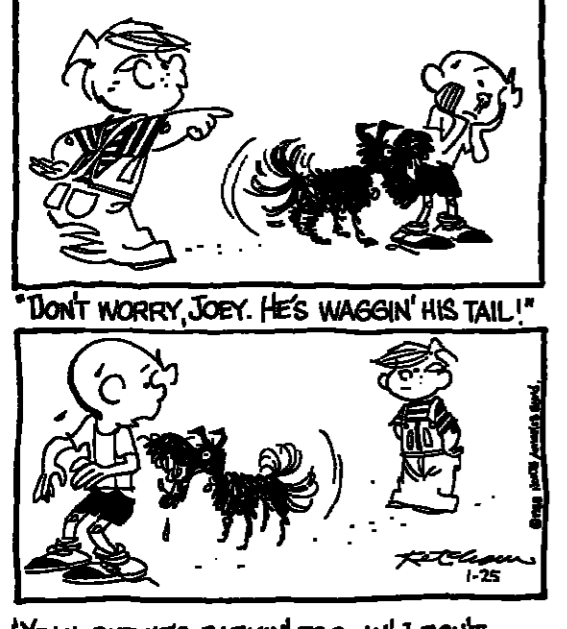
Solution to Friday's Puzzle

SPARROW ORNATE
PANDORA PANDORA
ASTOR ASTOR
THE BIRD LOVER
TIGERS TIGER NITE
SELLERS LOWTIDE
SELINA TOPLESS
RADON FAIR

North 21, South 7

MOBILE, Alabama (AP) — Washington's Chris Chandler and Don McPherson of Syracuse touch down passes to spark the North to a 21-7 victory over the South in Saturday's 39th Senior Bowl, the all-star game that marks the end of the college football season.

DENNIS THE MENACE



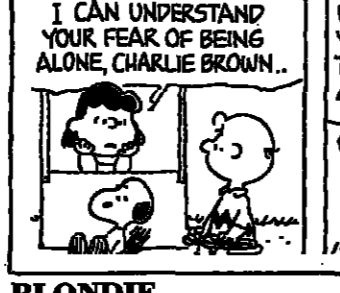
JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.
BREPO
HIWEL
SORIAL
GLEMIN

WEATHER

Table with columns for EUROPE, ASIA, AFRICA, LATIN AMERICA, NORTH AMERICA, MIDDLE EAST, OCEANIA. Rows list cities and their weather conditions.

PEANUTS



BLONDIE



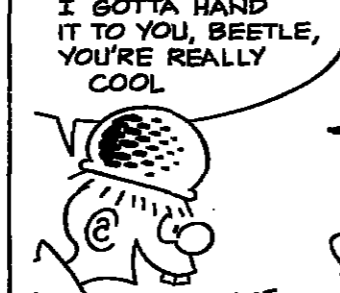
BEETLE BAILEY



ANDY CAPP



WIZARD OF ID



REX MORGAN



GARFIELD



Garfield comic strip panels

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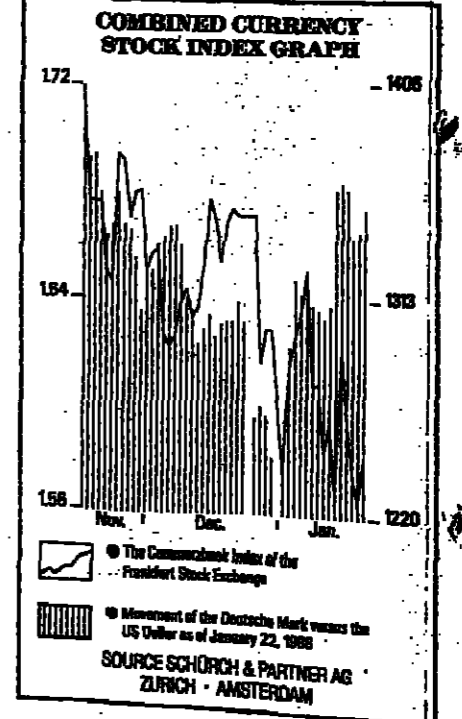
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KOREBOARD

Table with columns for KOREA, JAPAN, U.S. and rows listing various stock indices and their values.

Cut to Chase and Rule, Rule, Rule

By William Safire

WASHINGTON — Keep your eye on ruling... advised Maureen Dowd, a reporter for The New York Times, more than a year ago.

Dowd is a certified Lexicographic Irregular... the only written citation for this location was in a piece she wrote that appeared in The New York Times Magazine on Nov. 9, 1986.

A message left on Edelman's telephone-answering device by one of her gentlemen friends said, "I'm in a tizzy, um. It's my day and it is not ruling."

Now we are titillated by nouvelle society. The use of the French adjective nouvelle was probably inspired by nouvelle cuisine, which in turn was rooted in nouvelle vague, a phrase used by film directors in the late 1950s.

In societics, nouvelle society is New York-based and

freshly wealthy or newly notable. "It's not to be confused with the jet set," I am told by Claudia Cohen, Eyewitness News reporter with New York's WABC-TV.

Beautiful people, a phrase possibly rooted in le beau monde, is attributed to the Vogue editor Diana Vreeland in the 1960s, though some say it was the coinage of copy chief Rosemary Blackman.

According to the gossip columnist Liz Smith, the term jet set is a victim of technologically induced egalitarianism. "These days, everybody's in the jet set" who wants to go anywhere. There's no other way to go, so the elitist connotation disappeared.

What sort of lingo do these people speak? Apparently they are influenced by movie-industry talk. Sally Quinn, author of "Regrets Only," reports a new term getting through this crowd that is synonymous with "get to the point," or "bottom line," or "here's what I'm getting at." It is cut to the chase, from the movie habit of cutting, or switching, to the chase.

I ran cut to the chase past Maureen Dowd, who had not yet heard it, but bid me to dole-out with the words, "Dissolve, dissolve, dissolve." That is, at the end of a scene in a movie script, and I suspect is a way of saying, "I'm leaving now," or "T.R. history." You, too, can swing with the sweat-soaked and heat up with the hottest couples. If your day isn't ruling, cut to the chase and dissolve, dissolve, dissolve.

Both men are successful hip-hop artists.

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New York Times Service

France's 'Impossible Anniversary'

International Herald Tribune PARIS — The bicentenary of the French Revolution falls next year and it will be grandly commemorated — after all, the century of 1889 gave the world the Eiffel Tower — but the question is how? Commissions have been appointed, papers published and studies made. There is no answer in view. In an article headed "1789-1989: The Impossible Anniversary," the newspaper Le Quotidien de Paris notes, "A single question troubles the spirit: What is it that we shall be celebrating in 1989?"

MARY BLUME

Anniversary, the newspaper Le Quotidien de Paris notes, "A single question troubles the spirit: What is it that we shall be celebrating in 1989?"

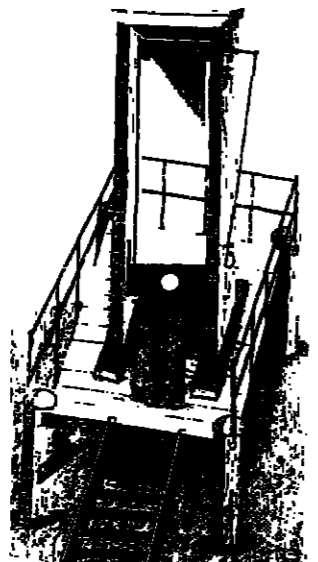
What indeed? The romantic notion of the people rising against injustice is no longer tenable in the cold light of modern history when no one can agree on who the people were and what the very word is loaded with political overtones.

Were the revolutionaries mere regicides? Did the middle classes storm the Bastille? Is Robespierre a hero or villain? Was it all the fault of Voltaire and what precisely did the Vendée uprising mean? Was Louis XVI, as one historian maintains, really German with only one-eighth of the blood in his veins French?

Even the year the Revolution began has been questioned. The Dauphin region of France has announced its intention to begin its celebrations one year early on the grounds that the revolutionary impulse was given at the Grenoble parliament in May 1788.

So far the beneficiaries of the confusion are French publishers who are doing a lively trade in books — one publisher says there will be at least 800 — covering every aspect of the Revolution from every point of view. Says Le Monde, a veritable monument of paper has been erected to the Revolution but no one knows whether the monument's purpose is to praise or blame, cherish or curse. One privately printed book leaves no doubt: illustrated by prints of bloodthirsty bootleggers Phrygian helmets, it is called "Why We Won't Celebrate 1789."

In fact, the nuanced judgment seems to be that it will be 1789, rather than the Revolution, that will be feted. "We will celebrate 1789, the joyous revolution, and



An anonymous artist depicts the "truth of the Revolution" (right); another sketches one of its better-known instruments.



The bicentenary of the French Revolution was to have been celebrated by a marvelous World's Fair, which was canceled. In retrospect, it looks as if it would have been the best sort of commemorative: revenue-producing, tourist-attracting and totally uncontroversial.

Edgar Faure, the 80-year-old politician whose distinctions are varied and many and who is known for his nimbleness of mind and volubility of tongue, has proved to be the ideal spokesman for ideological cohabitation. He talks mostly about the Declaration of the Rights of Man as the most enduring and least contentious event of the Revolution and the future being less controversial than the past, he likes to emphasize the year to come: the Rights of Man in the Third Millennium is one of his pet subjects.

"How," a woman demanded of him at a recent bicentenary event, "can you imagine that the descendants of people whose heads were cut off would celebrate such a thing?"

"Very easily," Faure replied, going smoothly on to discuss the movement of ideas and the banner of liberty which enveloped so many aristocrats. "Reconciliation is the big theme," he said. The Mission du Bicentenaire, less surefooted than its president, has yet to publish its preliminary schedule of events promised for last September. The Mission is taking eager tuition from the United States, not in how to organize a bicentenary but in how to attract private funds, the sponsoring as it is called in French. Half the bicentenary's 100-million-franc (\$18-million) budget is expected to come from private sources.

not the bloody revolution that followed," says Didier Hamon, who has been seconded from the Ministry of Culture to run the Mission du Bicentenaire, which was created jointly by President Francois Mitterrand and Prime Minister Jacques Chirac.

"Anything you say about the French Revolution has got an immediate party political reference," says the British historian Eric Hobsbawm, who attended an indecisive meeting of historians in Paris last March to discuss how the Revolution should be commemorated. "So whatever comes out at the end will presumably be some kind of cohabitation."

One date that is incontrovertible and that has long been associated with such apolitical acts as Phrygian helmets, it is called "Why We Won't Celebrate 1789."

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